



Standards Council of Canada

Annual Report

1996 / 1997



Standards Council of Canada

Who we are...

Chair

Richard Lafontaine Lawyer

Vice-Chair

Linda Lusby Associate Professor and Coordinator, Environmental Science, Acadia University

Members

André Fleury	Québec Vice-President, Canadian Federation of Labour
Philippe Fontaine	Director, Standardization and Conformity Assessment, Bureau de normalisation du Québec
Gary Harkness	Assistant Deputy Minister, Safety and Standards, Ministry of Municipal Affairs and Housing, British Columbia
John Kean	President and Chief Executive Officer, Canadian Standards Association
Hans Konow	President and CEO, Canadian Electricity Association
Hugh Krentz	President, Canadian Institute of Steel Construction
Lise Lachapelle	President and CEO, Canadian Pulp and Paper Association
Phil Saunders	Vice President, Commercial Relations, Northern Telecom Limited
Marcia Schaefer	President, CIG Computer Imaging Group Inc.
Irene Seiferling	Chair, Board of Directors, Consumers' Association of Canada
Heather Shannon	Phillips, Hager & North Investment Management Ltd.
Andrei Sulzenko	Assistant Deputy Minister, Industry and Science Policy, Industry Canada
Stephen Van Houten	President, Alliance of Manufacturers & Exporters Canada

Council membership changed as a result of amendments to the *Standards Council of Canada Act*, which were proclaimed on November 5, 1996. For the membership prior to this date, please refer to page 25.

Staff Directors

Michael McSweeney	Executive Director
Larry Moore	Director, External Relations
Rick Parsons	Treasurer and Director, Administration
Dr. Jack Perrow	Director, Standardization
Sandra Watson	Corporate Secretary

Our mandate...

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

- promote the participation of Canadians in voluntary standards activities,
- promote public-private sector cooperation in relation to voluntary standardization in Canada,
- coordinate and oversee the efforts of the persons and organizations involved in the National Standards System,
- foster quality, performance and technological innovation in Canadian goods and services through standards-related activities, and
- 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.

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

Ottawa, June 1997



Printed on recycled and recyclable paper





OFFICE OF THE CHAIR
BUREAU DU PRÉSIDENT

June 5, 1997

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

Mr. Minister:

With the proclamation on November 5, 1996, of Bill C-4, *An Act to Amend the Standards Council of Canada Act*, a new era in Canadian standardization began.

A slimmed down Council of 15 members and a broadened mandate position the Standards Council to be of continuing relevance in the economic life of the country in the years to come. The new Council, which includes a broad cross-section of the Canadian private sector, held its first meeting in late 1996 and identified the need to develop a new strategic plan for the Standards Council as well as a national standards strategy for Canada.

The Annual Report that follows attests to the increased pace of standardization activities, both domestically and internationally. It also illustrates that standardization is a fundamental element of international trade initiatives and that standards and conformity assessment are playing a critical role in efforts to liberalize trade.

This year has been one of significant change. As new Council members have already started addressing the standards issues of the day, I would be remiss in not expressing my appreciation for the devotion of former members of Council in serving the Standards Council and the National Standards System. Credit also belongs to staff and the thousands of volunteers who have carried Canada's positions on standards far and wide. The Standards Council sits at the apex of a large and too often unrecognized standards community that is committed to ensuring that products and services in the Canadian marketplace are safe and reliable, and that Canadians are competitive in global markets.

On behalf of the Canadian standards community, I would like to thank you and your officials for facilitating the changes to the Council's structure and mandate. These changes represent the first step down a road of renewal that will ultimately lead to a stronger spirit of national collaboration in standardization and a more innovative and competitive Canadian economy.

Yours truly,

Richard Lafontaine
Chair

The year's highlights

The following is a sampling of key achievements for the fiscal year under review, including page references for further information.

International activities

- Standards Council Chairperson agrees to serve as Chair of the Asia-Pacific Economic Cooperation (APEC) Subcommittee on Standards and Conformance (p. 5)
- United States government agrees to accept drug-testing of truck and bus drivers, performed by Standards Council-accredited laboratories (p. 5)
- United States Federal Communications Commission agrees to accept radio frequency emission and interference testing done by Standards Council-accredited laboratories (p. 7)

Domestic activities

- More than 10,000 requests for standards information are answered (p. 16)
- New accreditation programs promote confidence in environmental management (ISO 14000 series) and quality management (ISO 9000 series) registrations (p. 10)
- Canadians begin using the Internet to work on international standards (p. 5)

Strategic intelligence

- Standards Council registers the 750,000th "hit" to its World Wide Web site (p. 17)
- Construction of the Internet-based Standards Information Service of Canada begins (p. 4)

Efficiency

- Good progress is made in aligning operations with ISO 9001 (p. 15)
- Standards Council develops a corporate marketing plan (p. 17)

Trends and issues of 1996/97

In fiscal year 1996/97, standardization continued to evolve from a purely technical consideration to a strategic issue. Driving this evolution was a rising preoccupation with some of the key issues linked to standardization – issues like liberalized trade, innovation, the information highway, quality management and the environment.

One result of this trend is that standards bodies have a much broader constituency than ever before. This constituency increasingly includes regulators, CEOs, marketing executives, NGOs, and government officials involved in economic and trade policy.

For the Standards Council of Canada, the overriding priority of 1996/97 was the effort to put in place the structures and programs necessary to meet the needs of its widening constituency.

A milestone in this effort was the federal government's revision of the Standards Council's enabling legislation, concluded late in 1996. The federal government brought amendments to the organization's mandate, structure and powers, including a smaller governing Council, a more strategic orientation and a potentially greater role in regulatory reform and trade liberalization (please see "Highlights of the Standards Council's new legislation", p. 9). The new legislation will serve as the basis for renewal of the Standards Council in the coming years.

The following pages provide insight into several of the key trends and issues that shaped standardization in fiscal year 1996/97, their impact on the Standards Council, and the organization's strategies for dealing with them. Also included are profiles of some of the more important developments of the year, including new accreditation programs, the revised legislation and successes of the National Standards System.

The advance of global markets

Standards as the building blocks of trade

The single biggest influence on standardization in the 1990s is the trend towards global markets. To support the free movement of goods and services, countries are increasingly adopting international standards for everything from information technology equipment to electrical appliances. In Canada, 443 new National Standards of Canada were adopted or adapted from international standards in the last three years. This figure represents 78 per cent of all new National Standards of Canada for the period.

Most voluntary international standards are developed by two organizations – the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Last year, the Standards Council coordinated the work of almost 3,000 Canadians who contributed to ISO and IEC standards alongside of many thousands of volunteers from 120 other countries (Please see “Volunteers help make Canada a leader in international standards development”, p. 6).

Ensuring a strong voice for Canada in such a broad-based effort requires an organized, well-planned and strategic approach. In 1996/97, the Standards Council worked together with partners in government and industry to put into place the framework and tools for effective national collaboration in the field of standardization.

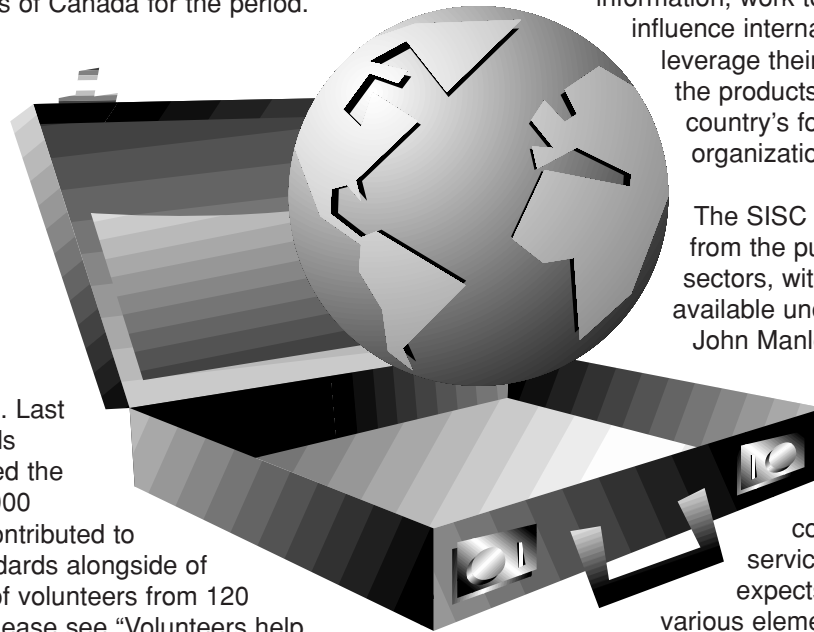
An important step was the revision of the *Standards Council of Canada Act*. The new Act provides for an institutional infrastructure that supports and encourages a “Team Canada” approach to standardization. It ensures that the Standards Council’s membership is drawn from a broad spectrum of interests in the private sector as well as the federal and provincial governments. The Act also

establishes a Provincial-Territorial Advisory Committee and a Standards Development Organizations Advisory Committee, further reinforcing the Standards Council’s ability to effect national collaboration.

A key tool of collaboration under development is the Standards Information Service of Canada (SISC) – a national Internet resource that will raise Canada’s standardization effort to a new level. The SISC will provide a single electronic gateway to the many organizations and individuals that make up the National Standards System. Canadian companies will be able to gather a wide variety of standards information, work together to develop and influence international standards, and leverage their marketing efforts with the products and services of the country’s foremost standards organizations.

The SISC involves organizations from the public and private sectors, with funding made available under Industry Minister John Manley’s economic action plan, *Building a More Innovative Economy* (BMIE). The Standards Council began construction of the service in 1996, and expects to phase in its various elements over the next three years.

If national collaboration is essential to mounting an effective international standardization effort, it is equally important to Canada’s effectiveness in regional standardization activities. In recent years, regional initiatives have grown both in number and prominence. Trade agreements are one reason for this growth. Another is that affiliations among regional trading partners can be used to effectively influence and implement ISO and IEC standards. In 1996/97, the Standards Council worked closely with the Department of Foreign Affairs and International Trade (DFAIT) to ensure that Canada’s regional standards activities supported the country’s strategic trade imperatives.



In support of government trade initiatives in the Pacific Rim, Standards Council Chairperson Richard Lafontaine accepted an invitation from DFAIT to act as chair of the APEC Subcommittee on Standards and Conformance. The subcommittee's activities centre on cooperation for technical infrastructure development, mutual recognition of conformity assessment, alignment with international standards and transparency. The Standards Council also supported efforts to liberalize trade in the Americas through its participation in the North American Free Trade Agreement's Committee on Standards-Related Measures and the Free Trade Area of the Americas Working Group on Standards and Technical Barriers to Trade. In addition, the Standards Council played a central role in the federal government's efforts to negotiate an agreement on electrical safety with the European Union (please see "Strategic Thrust: Domestic Leadership", p. 14)

While the development of common standards may be the most visible aspect of regional and international activities, an equally important trade issue is conformity assessment – the means used to determine conformity to a standard. For Canadian companies to compete effectively in global markets, they must have access to conformity assessment services that are widely accepted around the world. Standards Council accreditation programs for laboratories, certification organizations and registration bodies serve this cause.

In fiscal year 1996/97 the Standards Council accredited 15 conformity assessment organizations, bringing the total accredited to 233. Accreditation contributes an important measure of confidence to the services provided by these organizations but, by itself, cannot guarantee acceptance by foreign purchasers and regulators.

For this reason, the Standards Council has pursued a number of mutual and multilateral recognition agreements with accrediting bodies in other countries. These agreements have resulted in a variety of concrete benefits for Canadians. In 1996/97, for instance, agreements with United States accreditation bodies made it possible for Canadian motor carriers to use Standards Council-accredited laboratories to meet U.S. drug-testing regulations, while exporters of information technology equipment were given permission by U.S. authorities to use Standards Council-accredited laboratories to do required radio frequency emission and interference testing.

Conformity assessment promises to play an increasingly prominent role in trade as market globalization advances. More information on mutual and multilateral recognition efforts of the Standards Council can be found in the section entitled "Quality and the environment", p. 10, and "Strategic Thrust: Development of Mutual Recognition Agreements (MRAs)", p. 13.



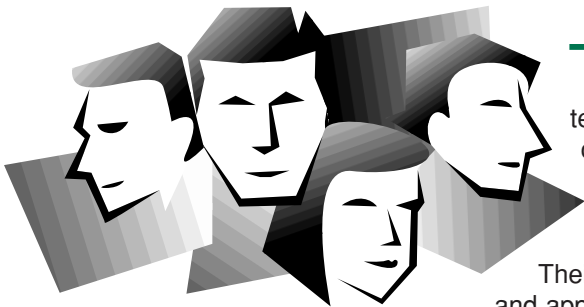
Introducing the "paperless" standard

Canadians have begun to use the Internet to develop standards in such areas as information technology, dentistry and environmental management – and they are saving time and money doing so.

In September 1996 the Standards Council of Canada set up work areas on its World Wide Web site for use by Canadians contributing to the development of international standards.

Participants can upload or download draft standards and submit comments electronically – without having to travel or even touch a piece of paper.

*V*olunteers help make Canada a leader in international standards development



The Standards Council coordinates the involvement of almost 3,000 Canadian volunteers in over 530 technical committees, subcommittees and working groups of the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

Their efforts have made Canada a leader in the development and application of international standards. Canadian achievements in 1996/97 included the following:

- Canada's respected building codes and construction standards have led to a growing international demand for Canadian building materials, construction systems and expertise. For example, a method for fire-testing building wall assemblies developed by the National Research Council of Canada (NRC) is likely to become part of a new ISO standard. A task group in ISO's technical committee on fire safety (TC 92/SC 1/WG 7) is developing a method for evaluating the spread of fire along building facades. In September 1996, the group chose a modified version of the NRC test for inclusion in the draft standard.
- Canadians' concerns about personal privacy and energy efficiency are receiving international exposure, thanks to the work of Canadian delegates to ISO's Committee on Consumer Policy (COPOLCO). ISO has established an ad hoc advisory group, led by a Canadian, to examine whether to develop an international standard for the protection of personal information. The group is expected to table a preliminary report by September 1997.
- Canadian expertise in non-destructive testing (NDT) is recognized worldwide. In 1992, Canada led the effort to develop an ISO standard for the qualification and certification of NDT personnel. The resulting document, ISO 9712, was based on methods developed by the Canadian General Standards Board and the Canada Centre for Mineral and Energy Technology (CANMET), part of Natural Resources Canada.

ISO 9712 is already in widespread use in Asia and the Americas. In 1996, the European Committee for Standardization (CEN), the European Union's standards body, announced that it would adopt ISO 9712. CEN's decision means that standards and practices for NDT that originated in Canada will soon be in worldwide use.

Standards, Inc.

The commercialization of standards

In fiscal year 1996/97 the federal government appropriation to the Standards Council of Canada supported less than 50 per cent of its operating and capital expenditures.¹ Only a few years ago the federal appropriation accounted for almost 80 per cent of operating and capital expenditures.

As a consequence of the reduction of the federal appropriation, the Standards Council has become much more businesslike and market-oriented. The Standards Council recognizes that satisfied customers in both the public and private sectors are critical to the success of its programs and services, and to its "bottom line".

With the federal appropriation diminishing, clients are in a stronger position than ever before to demand value and efficiency from the Standards Council and, in particular, from its accreditation programs. Multilateral and bilateral recognition agreements are accelerating this trend by knocking down national boundaries and making accreditation a global business. Increasingly, the Standards Council must compete with foreign accreditation bodies based on service and price.

A number of important steps were taken in 1996/97 to ensure that the Standards Council can prosper in this new competitive environment. The federal government's revisions to the *Standards Council of Canada Act* streamlined the corporate governance of the organization and gave it a new strategic focus (please see "Highlights of the Standards Council's new legislation", p. 9).

The organization made good progress in aligning its operations with ISO 9000 quality management requirements, and stepped up efforts to foster a marketing culture. A corporate marketing plan was finalized and at least three different surveys went out to clients, polling their views on environmental management systems accreditation programs, the provision of technical information to clients and changes to *CONSENSUS*, the organization's newsmagazine.

Service guidelines, established in fiscal year 1995/96, continued to serve as a benchmark and catalyst for improvement. For example, refinement to the way the Standards Council handles enquiries has been ongoing.

More than 10,000 information requests were received by information officers during 1996/97 (please see graph, p. 16); the Standards Council responded to almost all of them within the 24-hour service guideline.

Even with increased competitive pressures and declining appropriations, the Standards Council's business prospects remain positive. The new emphasis on international trade has meant increased demand for accredited conformity assessment services that facilitate market access. In particular, accreditation programs related to environmental management systems are poised for strong growth in the coming years.

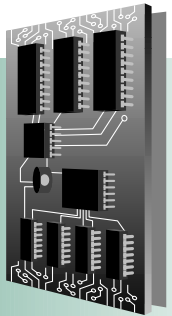
Meanwhile, demand for the Standards Council's other accreditation programs was healthy. For example, nine organizations were in the process of being accredited as certification organizations in 1996/97 – a significant increase from the 11 already accredited. Many of the applicants are United States-based organizations seeking to gain market share in Canada – an illustration of the competitive pressures that conformity assessment organizations are experiencing.

Help for IT exporters

It got a little easier to ship personal computer equipment to the United States in 1996/97, thanks to the Standards Council of Canada's Program for Accreditation of Laboratories – Canada (PALCAN).

The U.S. Federal Communications Commission agreed to accept radio frequency emission and interference tests performed by laboratories accredited by the Standards Council. Previously, only laboratories accredited by U.S. authorities were allowed to test products originating in Canada.

The acceptance was made possible by mutual recognition agreements between the Standards Council and two U.S. bodies – the National Institute of Standards and Technology (NIST) and the American Association for Laboratory Accreditation (A2LA).



¹ However, it should be noted that funding for the year included an additional \$1.3 million in contracts awarded under Industry Canada's Standards Initiatives Program.

Information technology

Driving the pace of standardization

The proliferation of the microchip has had a tremendous impact on standardization and the Standards Council of Canada. From modems to television remote controls, the marketplace demands

that electronic products from

different vendors be capable of working together. Standards are the basis for this interoperability. They underlie the development of the information highway and even address one of its most pressing issues – security.

International standards development in the information technology field takes place within a joint technical committee of ISO and IEC (JTC 1). The committee boasts about 100 separate subcommittees and working groups that have developed some 1,000 standards. In all, almost 400 Canadians contribute to JTC 1 work through the Standards Council.

Keeping pace with the information technology industry represents one of the biggest challenges ever faced by ISO, IEC and their member bodies – including the Standards Council. Because the ISO/IEC standards development process can take several years, there is a growing trend within the marketplace towards “publicly available specifications” developed by industry consortia.

Both ISO and IEC are in the midst of a re-engineering exercise that is intended to lower costs, enhance market

orientation and increase the speed of standards development. In addition, JTC 1 now has in place a procedure to approve consortium-developed standards. Canadians serving in prominent roles within ISO and IEC, including the Chairman of ISO's Technical Management Board, have played a central role in this effort.

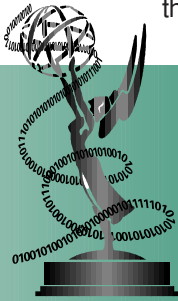
For all this, the pace of standardization still lags behind the pace of technological innovation. At general meetings of ISO and IEC in the fall of 1996, the Standards Council called upon both organizations to expedite the process of re-engineering and, in particular, to exploit information technology more fully in the development of standards.

In the latter area, the Standards Council has ensured that Canada is among the world's leaders, through the development of the Internet-based Standards Information Service of Canada (SISC) (please see “The advance of global markets”, p. 4).

Canada is also leading the way in another important area – the development of standards for the ethical handling of private information, which is often stored on computers. The Canadian Standards Association published the first voluntary consensus code on the protection of personal information early in 1996, and it was approved by the Standards Council as a National Standard of Canada. ISO is examining the need for a similar international standard (please see “Volunteers help make Canada a leader in international standards development”, p. 6).

The re-engineering of international standardization has raised a number of issues of importance to Canada. It has forced a re-examination of the role of the consensus principle in the development of standards. ISO and IEC must weigh the need for broad input into a standard against the need for its timely development. Increased speed has also made it doubly important that Canadians be vigilant in their participation in ISO and IEC. There may be only a very short time in which to intervene in the development of a commercially important standard, and in many cases there is no “second chance”. Canadians must make their case while the window of opportunity is open.

And the Emmy goes to...



They may not produce their own hit shows, but the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) do have something in common with the biggest names on television – an Emmy award.

In October 1996 an Emmy award was given to the ISO/IEC subcommittee responsible for MPEG and JPEG standards. About 30 Canadians take part in the subcommittee through the Standards Council of Canada.

MPEG and JPEG standards provide a means for compressing audio, video and still image signals. Thanks to these standards, major motion pictures may soon be “coming to a computer near you”, through telephone lines or on digital video disk.



Highlights of the Standards Council's new legislation

Amendments bring Act into alignment with modern-day priorities

The Standards Council of Canada was given a revised mandate, structure and powers as a result of legislation passed by Parliament in 1996/97. Revisions to the Crown corporation's enabling legislation, the *Standards Council of Canada Act*, take into account the growing role played by standards in trade, regulatory reform, sustainable development and other areas of concern to Canadians.

The process began in 1995 with national consultations and concluded on November 5, 1996, with the proclamation of *An Act to Amend the Standards Council of Canada Act*. This was the first time in the 26-year history of the Standards Council that its Act had received such major revisions.

Mandate

The scope of the Standards Council's activities has been expanded to cover such areas as the environment, information technology, natural resources and the service sector. The amendments achieve this expansion simply by not making reference to specific fields. In contrast, the old mandate made specific mention of "buildings, structures, manufactured articles and products and other goods", omitting some areas where voluntary standards are now proving to be valuable tools.

The mandate calls upon the Standards Council to promote the participation of Canadians in standardization, promote public-private sector cooperation, and coordinate and oversee the efforts of people and organizations involved in the National Standards System (for more information on the National Standards System, please see page 11).

The Standards Council is also charged with fostering quality, performance and technological innovation in Canadian goods and services through standards-related activities, and developing standards-related strategies and long-term objectives.

New objectives have also been added to the Standards Council's mandate – namely, supporting sustainable development and specifically benefiting the health, safety and welfare of workers.

Structure

The Standards Council has been reduced from 57 to 15 members, including representation from the private sector, the provinces and territories, the federal government and standards development organizations.

Members from the private sector, including non-governmental organizations, must be representative of a broad spectrum of interests and have the knowledge or experience necessary to assist the Council in the fulfilment of its mandate.

A new Provincial-Territorial Advisory Committee will enhance the Standards Council's ability to act on national and international matters that have implications for provincial-territorial responsibilities, including the removal of internal trade barriers. A Standards Development Organizations Advisory Committee recognizes the important status of these organizations within the National Standards System.

Powers

New powers enable the Standards Council to:

- provide advice and assistance to the government of Canada in the negotiation of standards-related aspects of international trade agreements (the North American Free Trade Agreement and the World Trade Organization contain provisions on standardization);
- enter, on its own behalf, into arrangements with foreign organizations engaged in voluntary standardization (enabling the Standards Council to better support Canadian exporters by negotiating foreign recognition of its accreditation programs);
- make recommendations to the Minister of Industry on standards-related matters without limitation (including areas where voluntary standards could play a role in regulatory reform).

Other provisions

In the event that the Standards Council plans to offer new services, it must consider all other possible alternatives for delivery before proceeding.

The Standards Council may establish a membership scheme to allow broader participation by the public, thus enhancing its openness and accountability.

The current arm's length relationship between the Standards Council and the federal government remains unchanged.

Quality and the environment

Canada at the forefront of voluntary standards efforts

Leading the world in standards development...

In 1996 the International Organization for Standardization (ISO) published the six initial documents of its much-anticipated ISO 14000 series. The series is the world's first international consensus on what constitutes sound environmental management for organizations of all shapes and sizes. Some 70 countries took part in the development effort, led by Canada, which provided both the chair and the secretariat for the responsible ISO technical committee (TC 207).

Meanwhile, the ISO 9000 series of quality management standards, published a decade earlier, continued to win converts the world over. At the beginning of 1996, at least 127,000¹ ISO 9000 series registrations had been issued to organizations in 99 countries. The committee responsible for the series (TC 176) was working on improvements to the standards, to be implemented within the next three to four years. Canada provided both the chair and the secretariat for TC 176.

The Standards Council of Canada was responsible to ISO for the secretariats of both committees. These secretariats were administered by the Canadian Standards Association (CSA) on behalf of the Standards Council.

Building confidence through accreditation...

Canadian companies are increasingly relying on registration of their ISO 9000 quality management systems to access new markets and win quality-conscious customers. The ISO 14000 series is

expected to play a similarly influential role in international trade, particularly in sectors where the environment is a major consideration.

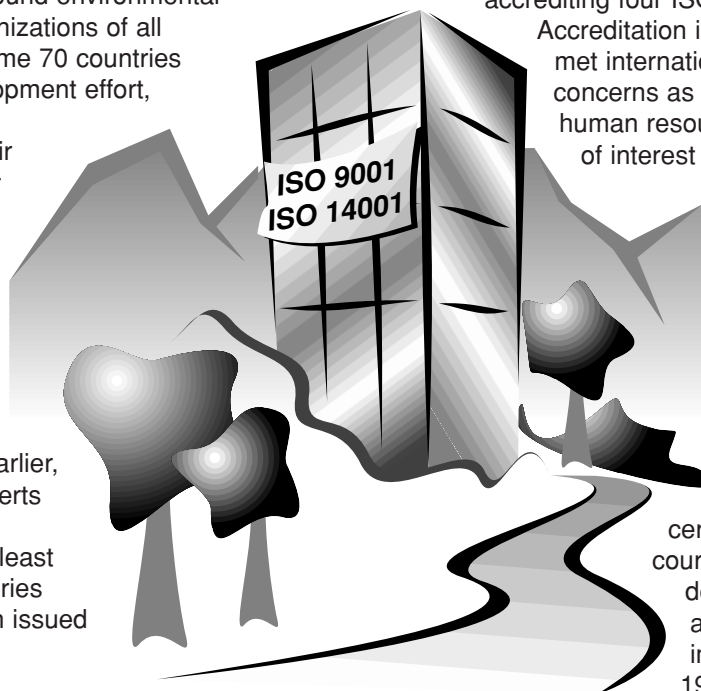
In 1996/97 the Standards Council continued to build the accreditation infrastructure that is the basis of confidence for all ISO 9000 and ISO 14000 registration activity in the country. By the end of the fiscal year, the Standards Council had accredited 13 ISO 9000 registrars and was in the midst of accrediting four ISO 14000 registrars.

Accreditation indicates that a registrar has met international criteria related to such concerns as quality systems, adequate human resources, freedom from conflict of interest and sound record-keeping practices.

The Standards Council has also undertaken initiatives to promote confidence in the auditors who play a critical role in the registration process.

Accreditation programs for ISO 14000 and ISO 9000 auditor certifiers and auditor training course providers were under development during the year, and are scheduled for implementation in fiscal year 1997/98.

An important step was taken towards winning formal international recognition of the Standards Council's ISO 9000 registrar accreditation program. The Standards Council applied for admittance to the multilateral agreement group of the International Accreditation Forum. Successful admission will give a Canadian registration standing in all other countries that become members of the group, making Canadian registrations among the most accepted in the world. For information on other mutual recognition efforts, please see "Strategic Thrust: Development of Mutual Recognition Agreements (MRAs)", p.13.



¹ According to the Mobil ISO 9000 survey

The National Standards System

A year of accomplishments

The Standards Council oversees the National Standards System of Canada, which includes almost 15,000 volunteers who contribute to Canadian and international voluntary standards, and a variety of organizations concerned with standards development, promotion and implementation.

Five Canadian organizations have been accredited by the Standards Council to develop voluntary standards. During the period covered by this Annual Report, they advanced or finalized some ground-breaking standards.

- **The Canadian Standards Association (CSA)** released guidance and specification documents for sustainable forest management systems, which were approved by the Standards Council as National Standards of Canada. The standards include such elements as public participation, third-party registration and field audits of the company's actual performance against its targets.
- **The Canadian Gas Association (CGA)**, in cooperation with the American National Standards Institute (ANSI), issued the first edition of a binational Canada/United States standard for vented gas fireplaces. The standard, five years in the making, was developed in response to the large growth in usage of gas fireplaces in new and existing homes.
- **The Canadian General Standards Board (CGSB)** created a standard for wine which has been approved as a National Standard of Canada. The

standard is similar to quality and marketing regulations in other wine-producing countries, including France's famous *appellation d'origine contrôlée* system. It will help Canadian products compete in the export market.

- **The Bureau de normalisation du Québec (BNQ)** aided home gardeners and commercial growers by releasing standards for compost. Now National Standards of Canada, the new documents help commercial composters ensure the quality and reliability of their products. BNQ has also established a certification program that will help the industry by setting a benchmark for product quality and inspiring consumer confidence.
- **Underwriters' Laboratories of Canada (ULC)** responded to a request from the insurance industry and automobile manufacturers to start work on a Canadian standard for anti-theft devices for vehicles. The standard is intended to reduce the incidence of vehicle theft, which costs Canadian consumers \$500 million a year in insurance premiums alone.

The Standards Council also accredits organizations that determine whether products, services or systems conform to the requirements of standards. These include laboratories, certification organizations and quality management systems registrars based in Canada and the United States. For a list of organizations accredited in the fiscal year 1996/97, please see the box below.

The following organizations were newly accredited in 1996/97:

Laboratories

Seagram Americas, Analytical Chemistry Laboratory, LaSalle, QC; MDS Health Group Ltd., MDS Laboratories, London, ON; Environment Canada, EP Laboratories (Prairie & Northern Region), Edmonton, AB; Environment Canada, Environmental Conservation Branch, Environmental Quality, Moncton, NB; Institut de recherche d'Hydro-Québec, Laboratoire Grande Puissance, Varennes, QC; Institut de recherche d'Hydro-Québec, Laboratoire Haute Tension, Varennes, QC; RADCO, Long Beach, CA; Chemex Labs Alberta Inc., Edmonton Laboratory - Hydrocarbon Division, Edmonton, AB; University College of Cape Breton, Environmental Services Laboratory, Sydney, NS; NSF International, Ann Arbor Laboratory, Ann Arbor, MI; NSF International, Sacramento Testing Laboratory, Sacramento, CA; ICI Canada Inc., Sheridan Park Research Centre, Mississauga, ON; Agra Earth & Environmental Limited (Edmonton), Edmonton, AB; Manitoba Hydro, Central Chemical Laboratory, Selkirk, MB

Certification organizations

NSF International, Ann Arbor, MI

What we promised and what we delivered in fiscal year 1996/97

In 1996/97 the Standards Council of Canada entered the fourth year of a five-year strategic plan. The plan sets out strategic thrusts that support Canada's economic, trade and societal aspirations. The following section provides a brief report on progress made during the year.

International Activities

STRATEGIC THRUST:

Standards Development Leadership

Result:

The Standards Council will be clearly seen as providing leadership and playing a more effective role internationally.

A key objective of the Standards Council is to secure a strong voice for Canada in the world's two principal international voluntary standards development bodies. During 1996/97, Canadians had a presence in almost every major policy organ of the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), putting Canada among a handful of the most prominent countries involved in standardization.

Canadians were elected to a number of key positions within IEC, including the Committee of Action, which manages IEC's technical work, and the Conformity Assessment Board, which oversees conformity assessment activity. At ISO, a Canadian was re-elected Chairman of the Technical Management Board, which oversees ISO's technical work. Canada was also elected as a member of this influential 12-member board.

Canada was among the countries most active in the technical committees that develop ISO and IEC standards, providing the secretariats for 26 ISO and IEC technical committees and subcommittees, the chairs for 27, and the convenors for 101 working groups.

The Standards Council was also active in regional bodies with a standards focus. Canada took part in at least ten regional and four international associations, bodies or forums covering every economic region in the world. During the year, the Standards Council was accepted as a member of yet another – the Asia Pacific Laboratory Accreditation Cooperation (APLAC). The aims of APLAC are to recognize laboratory accreditations throughout the region's economies.



IEC secretariats by country

Country	No. held*
France	34
USA	33
Germany	24
United Kingdom	23
Italy	16
Netherlands	12
Sweden	12
Japan	11
Canada	4
Russian Federation	4
Czech Republic	3
Switzerland	3
Others	17

Source: Directory of the IEC
*TC and SC secretariats

Canada ranks ninth of 53 IEC members in terms of the number of technical committee and subcommittee secretariats it holds.



ISO secretariats and convenorships by country

Country	No. held*
Germany	522
USA	517
United Kingdom	449
France	277
Sweden	123
Japan	96
Netherlands	85
Canada	84
Italy	54
Switzerland	54
Norway	49
Australia	48
Russian Federation	44
Others	206

Source: ISO Memento

*TC and SC secretariats and WG convenorships

Canada ranks eighth of 120 ISO member bodies in terms of the number of secretariats and convenorships it holds. Secretaries and convenors administer the operation of technical committees, subcommittees and working groups.

STRATEGIC THRUST:

Development of Mutual Recognition Agreements (MRAs)

Result:

To have in place MRAs with national standards organizations in the United States, Mexico and the European Union that will have a significant impact on Canada and Canadian industry.

During 1996/97 the Standards Council made significant progress in its efforts to establish an MRA with the U.S. American National Standards Institute (ANSI) and Registrar Accreditation Board (RAB) that would enhance the acceptance of Canadian ISO 9000 registrations. The text of the MRA was finalized and its approval imminent at the end of the fiscal year.

The Standards Council concluded an agreement with U.S. authorities that will allow Standards Council-accredited laboratories to perform mandatory drug tests for Canadian motor carriers operating on U.S. roads.

The Standards Council continued to assist the Department of Foreign Affairs and International Trade in negotiating an MRA with the European Union on the safety of electrical products. European negotiators accepted the principle that reliance on accreditation was a fundamental requirement in concluding an MRA with Canada. Current efforts are centred on the identification of an accreditation body in Europe with which the SCC would be able to negotiate.

Work also began on an MRA with the European Cooperation for Accreditation of Laboratories as a means of obtaining European recognition of testing and calibration conducted by Canadian laboratories.

Domestic Activities

STRATEGIC THRUST:

Increased Efficiency and Effectiveness

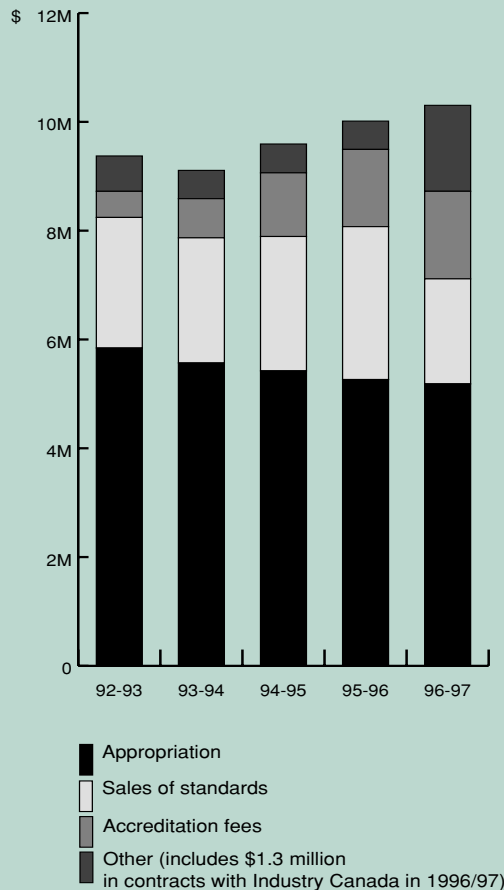
Result:

Increased revenue, reduced costs, faster processes and increased client satisfaction. Current programs for the accreditation of certification, testing and registration organizations will continue, with efforts made to reduce accreditation times and costs. No resources will be allocated for the expansion of these programs.

The Standards Council's revenue is derived primarily from federal government appropriations, the sale of standards and fees from accreditation programs (please see graph, p. 14). The declining role of government appropriation has meant that client fees have become critical to sustaining programs and services. The Standards Council's existing accreditation programs are approaching full recovery of direct and indirect costs. New accreditation programs are being planned as full cost-recovery initiatives (please see "Quality and the environment", p. 10). This has resulted in the need to increase fees, but every effort has been made to do so in an equitable manner.

The Standards Council's Program for Accreditation of Laboratories – Canada (PALCAN) made progress in its goal of rationalizing laboratory accreditation in Canada "under one roof". This goal is intended to provide savings to the laboratories and their clients by cutting back on the need for multiple laboratory assessments. A program for the accreditation of laboratories that test race-horses for prohibited drugs, formerly operated by the Canadian Pari-Mutuel Agency, was incorporated into PALCAN in January

Standards Council revenue and federal appropriation



1997. Similar collaborations are planned for the coming year in the areas of pesticide residue testing and forensic testing.

The Standards Council is continuing to develop new standards information products that will meet clients' needs and generate revenue. A number of products and value-added services are being considered as part of the new on-line Standards Information Service of Canada (SISC). These include strategic technological and market intelligence, information on draft standards, and notification of proposed, amended or new technical regulations.

STRATEGIC THRUST:

Domestic Leadership

Result:

The Standards Council will be clearly seen as providing leadership in Canada.

Canada's Agreement on Internal Trade calls for the reconciliation of standards and related measures within Canada. The Standards Council's revised mandate enhances the organization's ability to support this objective by providing for a Provincial-Territorial Advisory Committee with representation from the governments of all the provinces and territories. The new mandate also enables the Standards Council to make recommendations to the Minister of Industry on a variety of standards-related matters.

In 1996/97, the Standards Council undertook a number of activities designed to support a stronger, more competitive and more export-oriented Canadian marketplace. In cooperation with Industry Canada, Treasury Board Secretariat and the Department of Foreign Affairs and International Trade, the Standards Council implemented the standards portion of Industry Minister John Manley's economic action plan, *Building a More Innovative Economy* (BMIE).

One BMIE project undertaken during the year examined standards-related trade barriers within the context of the Agreement on Internal Trade. Future projects are expected to help encourage the reconciliation of conflicting standards and regulations and to demonstrate how the National Standards System can be used to reduce costs and red tape by providing a body of consistent, accepted national standards in a wide variety of fields.

The Standards Council acted as the focal point for national collaboration in two key projects of strategic interest to Canada. One of these involved the negotiation of a mutual recognition agreement with the European Union on electrical safety, and brought together interested parties from industry as well as the federal and provincial governments. This effort is ongoing, and when finalized, is expected to facilitate trade between the two markets in electrical products.

The Standards Council was also able to forge a national consensus among business, labour and government on the need – or not – for the International Organization for Standardization (ISO) to proceed with occupational health and safety management systems standards. A Canadian delegation argued against the advisability of

such standards at an ISO conference in Geneva, in September 1996. ISO subsequently decided against their development.

Finally, 83 per cent of standards approved as National Standards of Canada in 1996/97 by the Standards Council were adopted or adapted from international standards (for three-year statistics, see pie chart, this page). Provincial and federal regulators routinely reference these standards in regulations, promoting a cohesive national market that enhances Canada's international orientation (for examples, please see table, p. 17).

Staff Roles and Responsibilities

STRATEGIC THRUST:

Motivated and Trained Staff

Result:

Directors, managers and staff will be better motivated and trained resulting in improved service to clients.

In fiscal year 1996/97 the Standards Council began implementing a quality management system. The first steps – staff training and the development of a quality manual – were substantially completed by the end of the year. Next steps include internal audits, process improvements and independent assessment of the quality management system.

The Standards Council has also established a corporate performance management program that focuses on continuous improvement and the identification of training needs. An important first step in this program, the development of a training plan for each employee, was completed in 1996/97.

Training was delivered in a number of areas identified as priorities through the performance management program, including writing, public speaking, and the effective use of computer software. The human resources division continues to provide counselling and guidance on courses, workshops and training.

STRATEGIC THRUST:

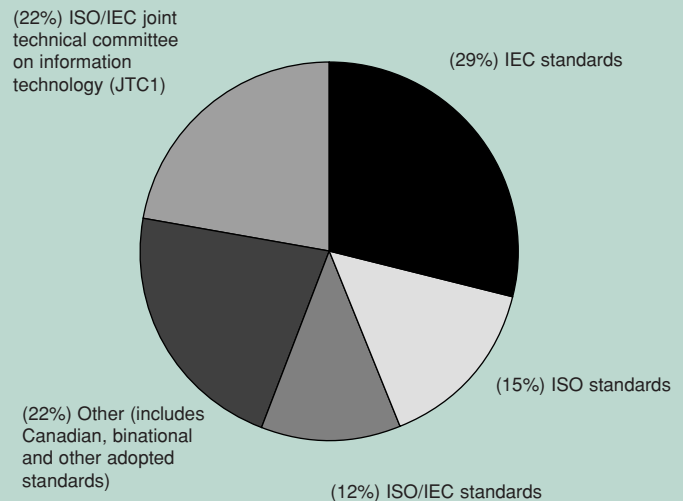
Establish Clear Roles and Responsibilities

Result:

The roles and responsibilities of the Council, management and staff will be clearer, resulting in improved efficiency.

The passage of a revised *Standards Council of Canada Act* late in 1996 has given the Standards Council an updated mandate that more clearly defines the organization's role in such important areas as the negotiation of international trade agreements, regulatory reform and internal trade (please see "Highlights of the Standards Council's new legislation", p. 9).

Origins of National Standards of Canada approved from 1994/95 to 1996/97



Canadians increasingly rely on international standards. Of 566 National Standards of Canada approved by the Standards Council over the last three years, 443, or 78%, were adopted from or based upon international standards of ISO or IEC (see pie chart). Last year, 83% (158 of 190) were adopted from or based upon ISO or IEC standards.

In addition, the Standards Council has taken steps to re-invigorate its advisory committee structure by appointing new chairs and enlisting the support of new members representing key constituencies. The Standards Council also put into place a new committee on environmental management systems in order to respond to market demand.

An organizational renewal program begun in previous years continued to evolve. Some of the tools in place

during 1996/97 included standardized, up-to-date job descriptions, accountability statements, divisional service guidelines, cross-functional committees, divisional committees and a standardized organizational work plan.

The quality management system undertaken during the year resulted in better documentation of procedures and responsibilities within the organization.

Profile

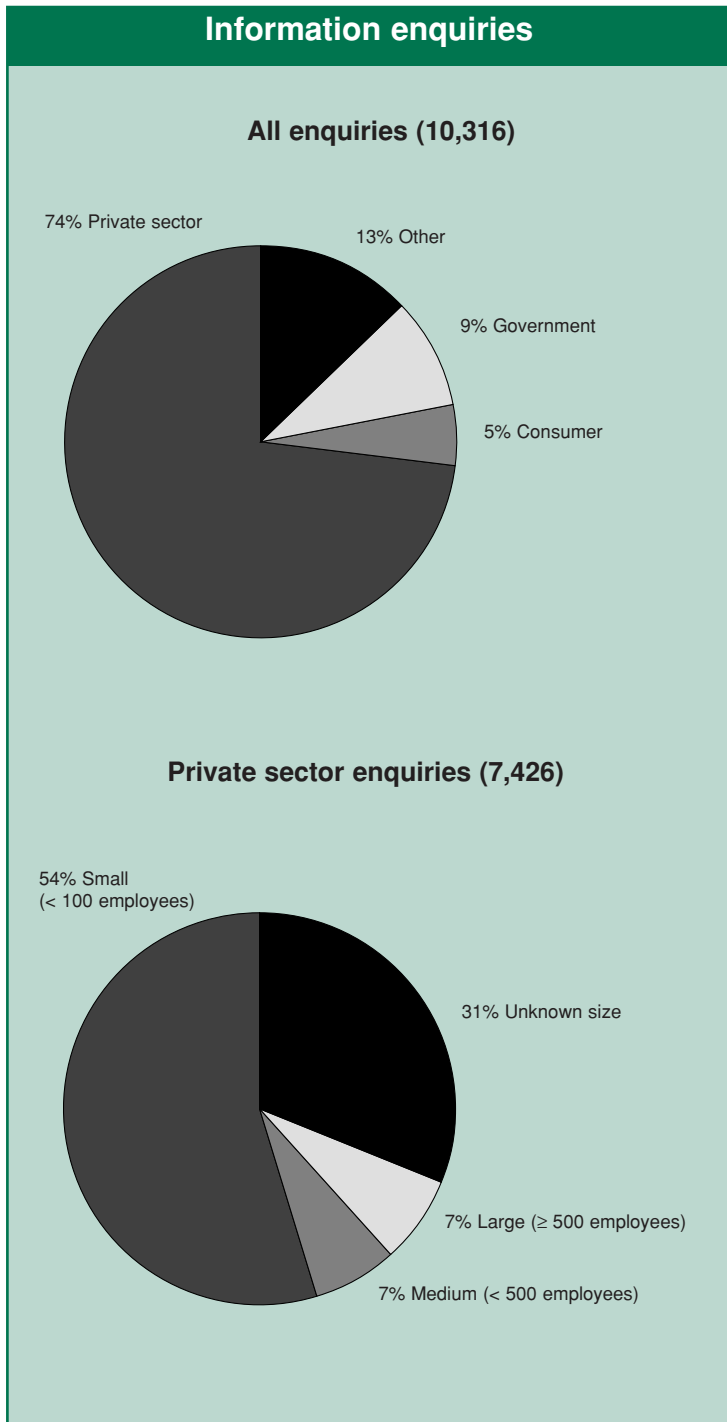
STRATEGIC THRUST:

Increase the Profile of the Standards Council Result:

An increased profile will improve the efficiency and effectiveness of the Standards Council's operations, both domestically and internationally. It will increase the profile of standards and standardization within Canada. The result should be increased participation from senior government and industry representatives.

The Standards Council's involvement in the federal government's economic action plan, *Building a More Innovative Economy* (BMIE), provided a number of opportunities for raising the profile of standardization. Several of the BMIE projects, which are to be carried out over four years, focus on promoting awareness of the Standards Council and the National Standards System at senior management levels within industry and government. Others will demonstrate and encourage the use of standards as an alternative to regulation.

In late 1995 the Standards Council's newsmagazine, *CONSENSUS*, underwent a significant redesign and doubled its frequency to eight issues a year to provide more timely intelligence and insight. Reader and advertiser response during 1996/97 was very positive. During the year the magazine's readership was expanded to include key groups such as environmental professionals, the media and individuals who work with small businesses through the National Research Council of Canada's Industrial Research Assistance Program. Articles from *CONSENSUS* have been used by the mass media, including *The Toronto Star* and *The Ottawa Citizen*, a variety of trade publications, and international publications such as *ISO 9000 News*.



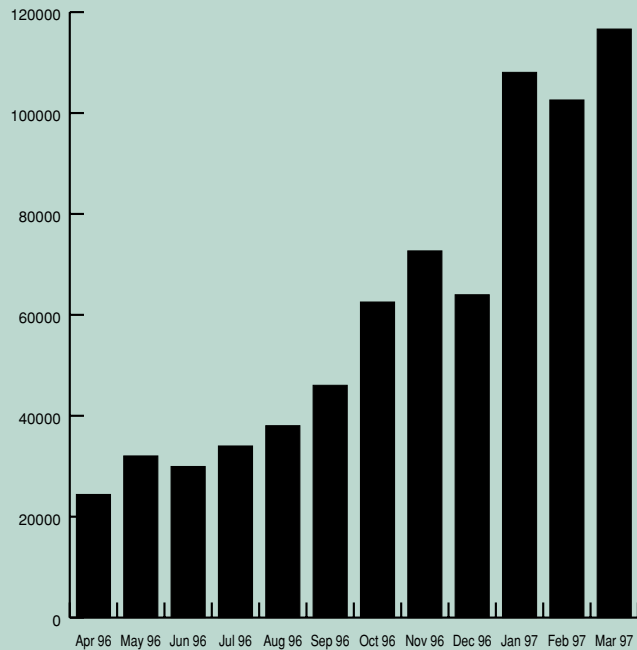
The Standards Council also continued to reach out to stakeholders through the media. The World Standards Day media campaign included camera-ready materials distributed to some 1,500 publications across the country.

Collaboration with Industry Portfolio partners provided a number of opportunities to expose Canadians to the benefits of standardization. Joint projects included the Forum on Science and Technology, held in March 1997, and a cross-Canada trade fair aimed at small and medium-sized businesses.

The Standards Council continued to expand its use of the Internet as a means of communication and promotion. The number of visitors to the Council's World Wide Web site (<http://www.scc.ca>) has steadily increased since its inception in late 1995. On average, the site experienced over 50,000 "hits" a month, with a monthly growth rate of 10 to 15 per cent. The volume and variety of information available also continues to grow. Notable additions in 1996/97 included a complete listing of accredited laboratories, the full text of every issue of *CONSENSUS* published since December 1995, a client feedback corner and a section on the ISO 14000 series of environmental management standards.

During 1996/97 the Standards Council developed a corporate marketing plan and established a marketing committee. Divisional marketing plans, and plans for marketing specific programs such as the environmental management systems program and the Standards Information Service of Canada (SISC), are expected to be finalized in 1997/98.

Web Site Activity



Interest in the Standards Council's World Wide Web site has increased steadily. The graph above shows the number of "hits", or requests for items, which the site experienced in 1996/97. In March 1997, the Web site received its 750,000th hit.

Examples of federal Acts whose regulations reference standards

Act	No. of standards referenced
Energy Efficiency Act	20
Hazardous Products Act.	46
Transportation of Dangerous Goods Act	86
Canada Labour Code	112
Motor Vehicle Safety Act	53

Standards are valuable tools for regulators. Above are five prominent federal Acts along with the number of standards that are referenced in their regulations. Numerous other federal and provincial regulations also reference standards.

Report of Management's Responsibility

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

Mr. Minister,

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

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

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

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

Chair



Richard Lafontaine
May 9, 1997

Auditor's Report

To the Minister of Industry

I have audited the balance sheet of the Standards Council of Canada as at March 31, 1997 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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



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

Ottawa, Canada
May 9, 1997

BALANCE SHEET

As at March 31

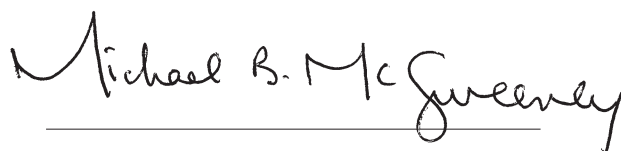
	1997	1996
ASSETS		
Current		
Cash	\$ 748,718	\$ 680,367
Accounts receivable:		
Federal government departments and agencies	894,056	300,433
Other	998,455	960,464
Parliamentary appropriation receivable	322,000	523,000
Inventory of foreign standards	161,313	185,377
Prepaid expenses	347,345	367,782
	<u>3,471,887</u>	<u>3,017,423</u>
Capital assets (Note 3)	<u>767,049</u>	<u>389,441</u>
	<u>\$ 4,238,936</u>	<u>\$ 3,406,864</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,221,639	\$ 888,426
Customer and other deposits	144,946	83,794
Deferred revenue	28,132	105,941
Deferred revenue related to capital assets (Note 4)	357,660	—
	<u>1,752,377</u>	<u>1,078,161</u>
Long-term		
Accrued employee severance benefits	<u>110,467</u>	<u>149,106</u>
	<u>1,862,844</u>	<u>1,227,267</u>
EQUITY OF CANADA		
Equity of Canada	<u>2,376,092</u>	<u>2,179,597</u>
	<u>\$ 4,238,936</u>	<u>\$ 3,406,864</u>

The accompanying notes are an integral part of these financial statements

Approved by the Council:



Chair



Executive Director

STATEMENT OF OPERATIONS

For the year ended March 31

	1997	1996
Revenue		
Sales of standards	\$ 2,041,068	\$ 2,881,457
Accreditation fees	1,682,728	1,357,519
Standards Initiatives Program funding	984,805	—
WTO/NAFTA Enquiry Point	261,163	312,289
Other	151,648	93,320
	<u>5,121,412</u>	<u>4,644,585</u>
Expenses		
Salaries and employee benefits	3,694,307	3,293,434
Memberships in international organizations	1,209,778	1,334,202
Travel	1,071,447	912,981
Professional and special services	1,067,349	368,973
Direct cost of standards sold	926,507	1,514,608
Office accommodation	754,586	752,795
Publications and printing	432,623	528,074
Telecommunications and postage	291,431	284,114
Amortization of capital assets	179,796	156,582
Office supplies	130,809	131,006
Public relations	89,593	78,746
Rental of office equipment	69,421	74,158
Meetings	38,233	30,687
Exchange of national standards	17,864	89,348
Other	135,173	124,991
	<u>10,108,917</u>	<u>9,674,699</u>
Excess of expenses over revenue	\$ 4,987,505	\$ 5,030,114

The accompanying notes are an integral part of these financial statements

STATEMENT OF EQUITY OF CANADA

	For the year ended March 31	
	1997	1996
Balance at the beginning of the year	\$ 2,179,597	\$ 1,945,711
Parliamentary appropriation	5,184,000	5,264,000
	<u>7,363,597</u>	<u>7,209,711</u>
Excess of expenses over revenue	(4,987,505)	(5,030,114)
Balance at the end of the year	<u>\$ 2,376,092</u>	<u>\$ 2,179,597</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

	For the year ended March 31	
	1997	1996
Operating activities		
Excess of expenses over revenue	\$ (4,987,505)	\$ (5,030,114)
Items not requiring an outlay of cash		
Amortization of capital assets	179,796	156,582
	<u>(4,807,709)</u>	<u>(4,873,532)</u>
Payment of accrued employee severance benefits	(38,638)	(94,197)
Changes in current liabilities and current assets other than cash	288,103	(118,119)
Cash applied to operating activities	<u>(4,558,244)</u>	<u>(5,085,848)</u>
Financing activities		
Parliamentary appropriation	5,184,000	5,264,000
Investing activities		
Additions to capital assets	(557,405)	(186,887)
Increase (decrease) in cash during the year	68,351	(8,735)
Cash at beginning of the year	680,367	689,102
Cash at end of the year	<u>\$ 748,718</u>	<u>\$ 680,367</u>

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

March 31, 1997

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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Capital assets

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

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

(b) Inventory

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

(c) Prepaid expenses

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

(d) Recoverable expenses

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

(e) Revenue and deferred revenue

Revenue is recorded on an accrual basis in the year in which it is earned. Amounts invoiced for accreditation services which have

not been rendered are deferred and the revenue recorded as the services are provided.

(f) Parliamentary appropriation

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

(g) Employee severance benefits

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

(h) Pension plan

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

3. CAPITAL ASSETS

	1997		1996	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture	\$ 265,683	\$ 237,187	\$ 28,496	\$ 41,997
Equipment	1,462,816	827,472	635,344	229,486
Leasehold improvements	157,433	54,224	103,209	117,958
	<u>\$ 1,885,932</u>	<u>\$ 1,118,883</u>	<u>\$ 767,049</u>	<u>\$ 389,441</u>

4. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

In 1997, the Council was awarded various contracts under the Industry Canada Standards Initiatives Program. Revenue of \$984,805 was recognized in 1997 for activities undertaken pursuant to these contracts. Some of the contracts required the acquisition of capital assets for the delivery of services over an estimated period of four (4) years. Amounts received pursuant to these contracts have been recorded as deferred revenue and are being amortized to income on the same basis as the related capital assets. The changes in the deferred revenue related to capital assets balance for the period are as follows:

	1997
Beginning balance	-
Add acquired assets	\$ 382,772
Less amounts amortized to revenue	25,112
Ending balance	<u>\$ 357,660</u>

5. FINANCIAL INSTRUMENTS

Accounts receivable and accounts payable are incurred in the normal course of business. All are due on demand and non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity. There are no concentrations of accounts receivable with any one customer and, accordingly, no significant credit risk exists.

6. LEASE COMMITMENT

The Council is leasing office space for a ten year term which expires in May 2002. The future minimum annual rental under this agreement, exclusive of operating and realty tax expense, is \$410,810 for years one to five, and \$416,008 for years six to ten.

7. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council is related in terms of

common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Council enters into transactions with these entities in the normal course of business.

8. COMPARATIVE FIGURES

Certain of the 1996 comparative figures have been reclassified to conform to the current year's presentation .

Financial Review

Total revenue, other than parliamentary appropriation, of \$5.1 million is 11 per cent above the \$4.6 million recorded in FY 1995/96. This increase results in large measure from \$985,000 in contracts awarded under Industry Canada's Standards Initiatives Program and from increased conformity assessment accreditation fees. These increases were offset by reductions in standards sales revenue and the contract with the Department of Foreign Affairs and International Trade for the operation of the WTO/NAFTA Enquiry Point.

Sales of Standards at \$2.0 million was down 30 per cent from the previous year's level of \$2.9 million. Although previous year figures include sales of the American Society of Mechanical Engineers' *Boiler Pressure Vessel Code* (issued every three years) of \$637,000, other sales did take a downturn. This downturn reflects a universal trend, as the standards sales of many ISO and IEC member bodies, as well as ISO and IEC themselves, weakened. Breaking out FY 1996/97 sales, ISO 9000 series sales comprised a significant proportion at \$329,000, or 16 per cent of total standards sales. Sales of the ISO 14000 Environmental Management Systems standards contributed \$73,000. Sales of ISO and IEC international standards totalled \$1.1 million.

Accreditation Fees arising from conformity assessment accreditation activities in Certification, Quality and Environmental Management Systems Registration, and Testing increased to \$1.7 million from \$1.4 million, reflecting the start-up of the environmental registration accreditation program, growth in the three other programs, and ongoing efforts to increase the levels of cost recovery to include indirect costs.

Parliamentary Appropriation of \$5.2 million is \$80,000 below the level of the previous year, reflecting ongoing government fiscal restraint and federal budget measures arising from the program review exercise. Both of these factors continue to reduce the appropriations of all departments, agencies and Crown corporations. Parliamentary Appropriation supported 48 per cent of the Standards Council's operating and capital expenditures, down from 52 per cent in FY 1995/96.

In total, expenses for FY 1996/97 were \$10.1 million, an increase of 4 per cent from the FY 1995/96 total of \$9.7 million. *Salaries and Employee Benefits* increased as positions that had remained vacant throughout much of the previous year were filled. *Memberships in International Organizations*, comprised of fees paid to ISO, IEC and other standards organizations, declined to \$1.2 million from \$1.3 million. This decline resulted from the relative strength of the Canadian dollar against the Swiss franc, as 98 per cent of these fees are paid in that currency. *Direct Cost of Standards Sold* fell to \$0.9 million from \$1.5 million, reflecting the decline in sales revenue noted previously as well as an increase in overall gross margin from 47 per cent to 55 per cent. This increase reflects the trend towards the sale of photocopy versions of international standards, which carry a significantly lower product cost than the original printed versions. *Professional and Special Services* and, to a lesser extent, *Travel*, show significant increases from the previous year. For the most part, these increases are related to activity arising from contracts awarded to the Standards Council under the Standards Initiatives Program. Additional factors would include higher levels of activity in the Standards Council's cost-recovered conformity assessment accreditation programs.

Total revenues, with the addition of *Parliamentary Appropriation*, exceeded expenditures by \$196,000, down from the previous year's \$234,000. This modest surplus on operations funded the acquisition of capital assets and a further reduction to the Standards Council's outstanding liability for accrued employee severance benefits.

The Standards Council of Canada

Principal activities

Standards development

- Coordinates Canada's participation in technical committees of the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), two of the world's important voluntary standardization bodies
- Accredits organizations in Canada engaged in standards development
- Approves National Standards of Canada

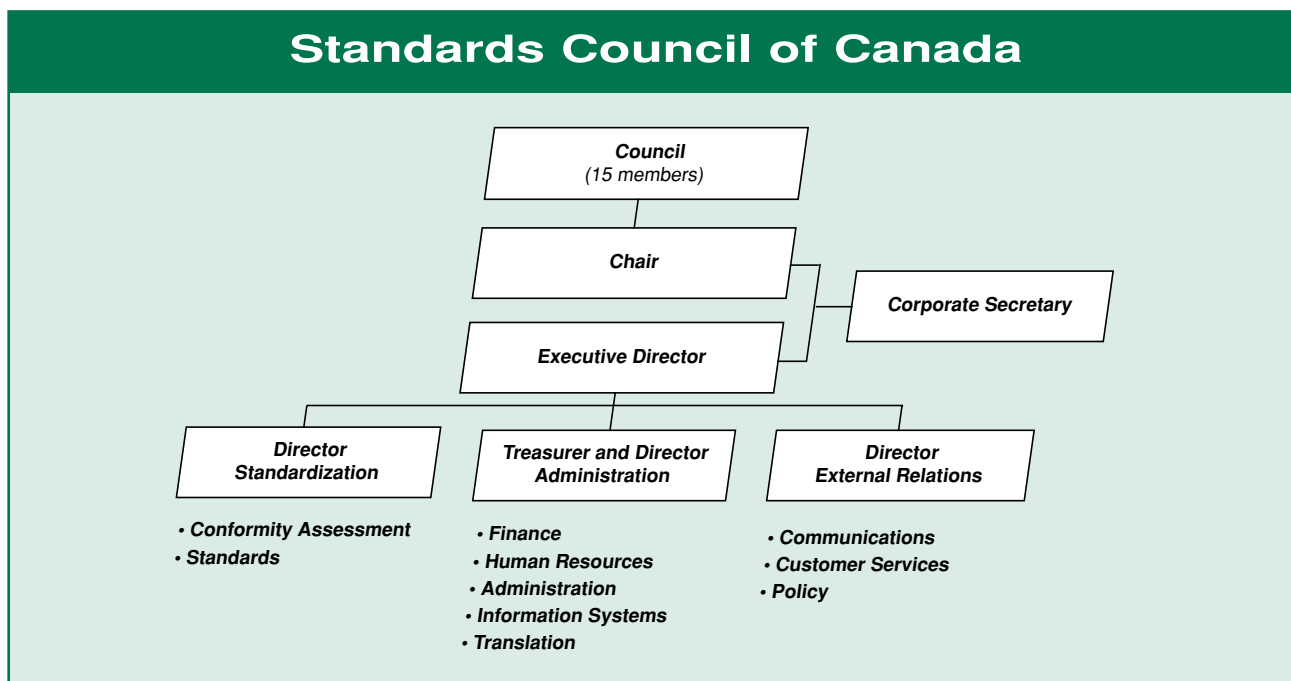
Conformity Assessment

- Accredits organizations that provide Canadians with the means to determine whether a product, service or system conforms to a standard

- Takes part in international conformity assessment activities and negotiates the mutual recognition of accreditation programs as a means of facilitating trade

Standards information and sales

- Responds to enquiries related to standards, technical regulations and conformity assessment
- Acts as World Trade Organization/North American Free Trade Agreement Enquiry Point
- Provides a sales service for Canadian, international and foreign standards
- Disseminates a variety of informational and educational products



Corporate governance and structure

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

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

Other advisory committees have been struck by Council to assist in matters related to standards development, international affairs, certification and testing, quality and environmental management systems.

The strategies and policies established by Council are implemented by a staff of approximately 75, located in the corporate offices in Ottawa. Staff are organized into branches and divisions with specific program responsibilities, as illustrated in the organizational chart on the preceding page.

The former Council

The following is the membership of Council prior to November 5, 1996, the date that the *Standards Council of Canada Act* was amended. For the new Council, please see the inside front cover.

R. Lafontaine (President), R.C. Maheux (Vice-President), T.W. Anderson, S. Archambault, G.A. Baril, B.M. Black, J. Boyd, T.S. Chambers, B. Crown, L.F. Dalton, D.F. Darrow, W.A. Dauphinee, A.R. Dunlop, Y. Dupont, P. Fontaine, J. Girard, G.C. Harkness, P. Higginson, J.C. Holden, J.G. Housser, H.E. Impey, J.E. Kean, H.A. Krentz, J. Laflamme, P. Lajoie, J. MacDonald, A. Métivier, R. Morier, R. Muzyk, R.A. Phillips, H. Pomerleau, W.S. Read, M. Roche, J.L. Rouette, R. Schmidt, M. Thériault, A.C. Tingley, L.K. Wagner, B. Walsh, R. Wright

How to reach us

By mail: Standards Council of Canada
45 O'Connor Street, Suite 1200
Ottawa, Ontario K1P 6N7

By telephone: (613) 238-3222

By fax: (613) 995-4564

By e-mail: info@scc.ca

World Wide Web page: <http://www.scc.ca>