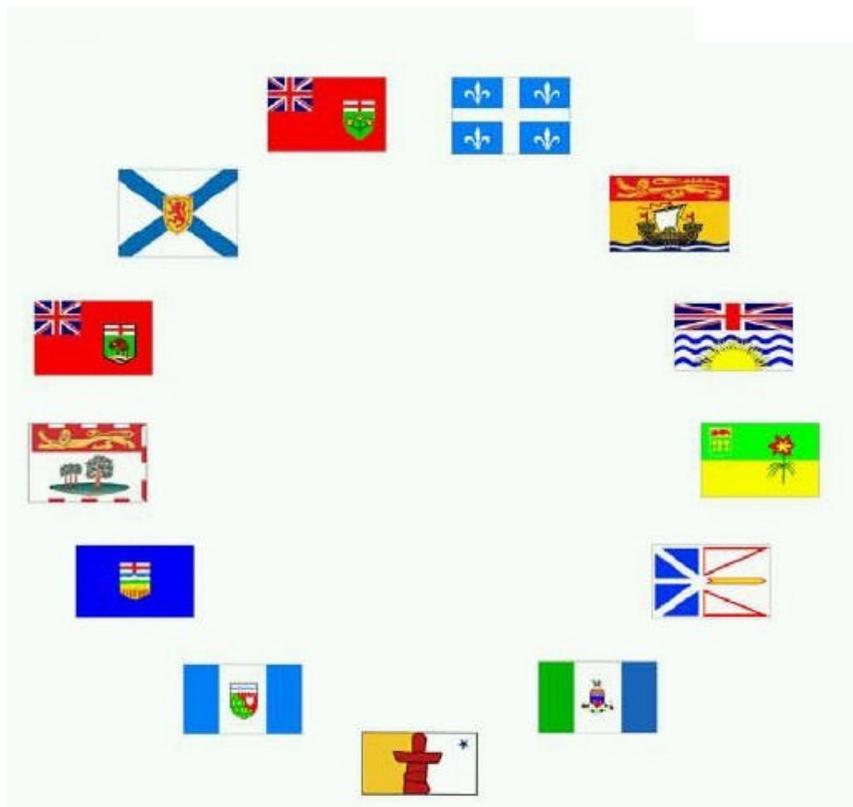


Council of the Federation

Internal Trade Workplan

February 23, 2004



Council of the Federation/ Internal Trade Workplan Outline



1.0 Immediate Actions

Premiers will take the following immediate actions to reinvigorate the process of addressing internal trade barriers:

1.1 Re-commit to honour all obligations under current AIT

Background to this issue:

- Requirement for annual meetings of the Committee on Internal trade (CIT) has been ignored
- Negotiations scheduled to last one or two years still unresolved ten years later
- AIT Article 1601.4 prescribes one chair, creating a roster of all parties
- Parties failing to nominate panelists to dispute panels
- Slow implementation of the results of dispute panels, partially as CIT refuses to meet to consider the matters

Action Items:

- i. Premiers commit to reinstitute annual meetings of the Committee on Internal Trade [1] (CIT) Ministers; adherence to the first principles of the agreement, and rules of the agreement.
- ii. Premiers direct their Ministers responsible for internal trade to take immediate action to complete all Party-specific outstanding obligations.
- iii. Premiers commit to have their Ministers responsible for internal trade report at the meeting of P/T Ministers in April on progress achieved in meeting all outstanding obligations and outline steps being taken and date for completion of any remaining obligations.
- iv. Premiers commit to communicate the workplan agreed to by the Council of the Federation to their provincial and territorial Ministers and officials responsible for various areas under the

¹ All items in this workplan requiring decision by the full Committee on Internal Trade will be formally addressed after decision by the Council of the Federation process to re-engage the federal government.

AIT so as to ensure an immediate “whole of government” approach.

Responsibility: Premiers– New Brunswick and Manitoba

Dates for completion: Premiers’ direction to Ministers responsible for internal trade - Immediate. Follow-up by Ministers - April 2004

1.2 Complete the Provincial/Territorial negotiations on Crown Procurement

Background to this issue:

- AIT called for negotiations on “excluded entities” to be completed by June 30, 1996.
- Ministers have made progress on this issue including agreement on a new text and on specific aspects of crowns to be covered.
- Negotiations have not concluded as there has been no consensus to date on overall coverage and on reciprocity provisions.

Action Items:

- i. Premiers commit to include procurement by Crown Corporations within the Procurement Chapter of the Agreement on Internal Trade.
- ii. P/T Ministers to finalize details on Crown Procurement at their April 2004 Meeting.
- iii. Results will be communicated to the Government of Canada.

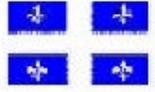
Responsibility: Lead jurisdiction – British Columbia

Date for completion: Premiers’ agreement to include Crown Procurement – Immediate. Follow-up on details and communication to Government of Canada - April 2004

1.3 Report to Council of Federation on Progress

Background to this issue:

- Early and immediate action is necessary to restore credibility to provincial and territorial efforts in this area.
- The Council of the Federation wishes to remain closely involved in activities to address internal trade barriers to ensure continued political momentum.

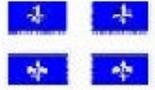


Action Items:

- i. Premiers direct P/T Ministers responsible for Internal Trade will prepare a progress report, intended for public release at the Premiers July 2004 meeting, which summarizes achievements to date and progress on all remaining workplan items.

Responsibility: New Brunswick and Manitoba

Date for Completion: July 2004



2.0 Short-Term Objectives

The short-term Objectives to be completed by Provincial / Territorial Ministers responsible for Internal Trade, and for report to the Council of the Federation in July 2004 are:

2.1 Provide flexibility in decision-making

Background to this issue:

- AIT consensus rule operating to require unanimity
- Requirement for consensus has delayed or blocked progress where a majority of Parties were in agreement
- Inability to meet or reach consensus stalling negotiations
- Ability for a Parties to “opt out” was developed and used during MASH negotiations

Action Items:

- i. P/T Ministers to examine options to provide greater flexibility in decision-making under the AIT at their April Meeting.

Responsibility: Lead jurisdiction – Quebec

Date for completion: April 2004

2.2 Improve the AIT dispute resolution mechanism (*Procedural Fairness*)

Background to this issue:

- Criticisms on the AIT dispute resolution mechanism have been wide ranging touching on procedural issues, complexity, fairness and length of the process and lack of implementation of panel results.
- There has been an uneven commitment among provinces and territories to following the agreed process outlined in the AIT.

- Lack of confidence in the dispute settlement process can lead to calls for compensatory actions outside the AIT.

Action Items: In the short-term, provinces and territories will:

- i. Take action to appoint panelists in any outstanding disputes.
- ii. Appoint a committee of solicitors from P/T Attorney General's offices to assess the issue of procedural fairness and impartial process under Chapter 17 dispute resolution.
- iii. Officials will undertake an initial review of possible reforms to determine the potential and scope of short term improvements.
- iv. Prepare a report to Premiers for their July 2004 meeting outlining progress achieved under items i., ii. and iii. above and providing a status report on any unresolved disputes.

Responsibility: Lead jurisdiction – Ontario

Date for completion: April 2004

2.3 Launch an assessment of gaps between the AIT and issues outside of scope of current agreement

Background to this issue

- Areas include both those explicitly excluded from the current scope of the AIT as well as possible new areas.
- Proposals have also been made to broaden the application of the general rules beyond the sector chapters to ensure wide applicability.
- Concerns have been raised that ambiguity and lack of clarity complicates the overall AIT coverage issue.
- Some P/T Ministers have suggested that cooperation on these issues is possible outside of the AIT.

Action Items:

- i. P/T Officials responsible for internal trade to prepare an assessment of gaps and exemptions in coverage of the AIT and prepare a report for P/T Ministers outlining:
 - a) the specific gap or exemption in coverage;
 - b) the nature and extent of internal trade barriers in the area not covered;
 - c) an assessment of options for addressing these trade barriers (either within or outside of AIT).



- ii. P/T Ministers responsible for Internal Trade to review gaps and exemptions and develop a workplan to address any gaps and exemptions.
- iii. P/T Officials to review and make recommendations to Ministers regarding the streamlining of the AIT.

Responsibility: Lead jurisdictions - Alberta and British Columbia

Dates for completion: Preliminary report to P/T Ministers at their April 2004 meeting indicating the “gaps” to be researched for the final report. Final report to P/T Ministers on gaps and options for addressing these and on options for streamlining the AIT, including a proposed workplan, at their Annual 2005 meeting.

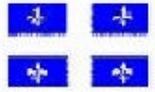
2.4 Develop a comprehensive communications plan

Background to this issue:

- There is a widely-held perception among the general public, business organizations and international organizations that there are numerous internal trade barriers
- Consultations reveal there is a low level of awareness of the AIT and of efforts to address internal trade barriers
- Provinces and territories need to demonstrate progress to the business community and to Canadians and that serious efforts are being made to address remaining barriers
- The AIT is often perceived as overly complex and not user friendly
- Effective communication within government is essential for a whole of government approach to Internal Trade

Action Items:

- i. Officials responsible for internal trade in concert with communications officials from charged jurisdictions will develop a communications plan for review by P/T Ministers at their April 2004 meeting. The plan will be designed to raise awareness of internal trade matters including the current Agreement on Internal Trade and to engage the business community in discussion on future efforts to address remaining barriers to trade. The communication plan should encompass both short-term activities designed to highlight renewed political commitment to this issue and longer-term activities to maintain awareness and engagement.



- ii. An equally important intra-governmental communications plan will be developed to ensure jurisdictions maintain a “whole of government” approach.
- iii. Communications with the government of Canada on progress and direction will be a key component of the communications plan.

Responsibility: Lead jurisdiction – New Brunswick and Yukon

Date for completion: April 2004



3.0 Longer-term Objectives

The longer-term objectives to be completed by Provincial/Territorial Ministers responsible for Internal Trade, and for report to the Council of the Federation in July 2005, are:

3.1 Re-commit to honour all obligations under current AIT

Background to this issue

- In addition to the Party-specific obligations that will be addressed under the Short-term activities in the workplan, there are a number of outstanding obligations of a collective nature under the AIT.
- Ministers responsible for Internal Trade often do not have direct responsibility (neither within their jurisdiction nor under the AIT) for areas covered under these outstanding obligations.
- Ministers responsible for Internal Trade, working through the Council of the Federation, need to take a “whole of government” approach to ensuring that the obligations of the AIT are honoured.

Action Items:

- i. Provincial and territorial Ministers responsible for Internal Trade will, in conjunction with their Premiers, communicate the workplan agreed to by the Council of the Federation to their provincial and territorial colleagues responsible for various areas under the AIT.
- ii. Sectoral ministers will provide Ministers responsible for Internal Trade with a workplan to address any outstanding obligations in their area.

Responsibility: Lead jurisdiction – Quebec

Date for Completion: Sectoral ministers to provide Ministers responsible for Internal Trade with workplans, including clear timelines, to address any outstanding obligations in their area by the end of 2004. There will be a report of progress by July 2005.

3.2 Complete negotiation of the Energy Chapter

Background to this issue

- AIT called for negotiations on an Energy Chapter to be concluded by July 1, 1995.
- Energy Ministers reached agreement on all but two issues in 1998. Energy Ministers could not reach consensus on provisions on hydraulic rights and on exemptions related to regional development measures for oil and gas activities, both in shore and offshore.
- Ministers responsible for Internal Trade have reached agreement on wording on hydraulic rights but there remains no consensus on how to deal with regional development exemptions.

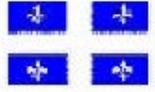
Action Items:

- i. Ministers and officials expert in energy matters will review the text to establish its relevance to the current circumstances.
- ii. P/T Ministers will renew consultations on the issue of regional development exemptions with a view to finding a mutually acceptable resolution to this issue. A report will be provided to Ministers at their 2005 meeting outlining progress on this issue.
- iii. P/T Ministers will review the status of negotiations on an Energy Chapter at the 2005 meeting. In the event that consensus still cannot be achieved, Ministers will provide a detailed report to Premiers at the next meeting of the Council of the Federation outlining the differences that remain and the options for proceeding.

Responsibility: Lead jurisdiction – Alberta

Date for completion: 2005 Annual Meeting of Ministers

3.3 Improve the AIT dispute resolution mechanism (*Full review of the dispute resolutions mechanism*)



Background to this issue

- Criticisms on the AIT dispute resolution mechanism have been wide ranging touching on procedural issues, complexity, fairness and length of the process and lack of implementation of panel results.
- Provinces and territories generally agree on the need to engage in a review of the dispute resolution mechanism, though not all agree on the specific changes needed.
- A committee of Attorney General solicitors was created (Item 1.3) to review the issue of procedural fairness under Chapter 17.

Action Items:

- i. Officials will undertake a full review of the dispute resolutions mechanism in the Agreement on Internal Trade with a view to identifying proposals that will, among other things, address issues related to timing, fairness, certainty, consistency and implementation.
- ii. A report to Ministers responsible for Internal Trade, identifying options for improving the AIT provisions related to dispute resolution, will be prepared

Responsibility: Lead jurisdiction - Saskatchewan

Date for completion: 2005 P/T Ministers meeting.

3.4 Assess and address issues related to business subsidies

Background to this issue

- The AIT established a Code of Conduct on Incentives designed to minimize the adverse effects of incentives on other provinces and territories interests.
- Officials identified options for clarifying and improving the Code of Conduct and Ministers approved certain amendments to the Code at their June 2002 meeting.
- Subsidy competition remains an issue of concern to some provinces and territories.

Action Items:

- i. Conduct an independent assessment of the nature and extent of this issue and determine those areas where subsidy competition remains a serious concern.
- ii. Options to address these areas will be developed and a report prepared for P/T Ministers.



- iii. Conduct a review or evaluation of the AIT related data collected over the life of the Agreement.

Responsibility: Lead jurisdiction – Manitoba

Date for completion: 2005 Annual Meeting of Ministers

3.5 Address labour mobility issues including but not limited to mutual recognition of foreign credentials

Background to this issue

- Occupational mobility is fundamental to the economic union and much progress has been made in recent years, although obstacles remain. Not all governments met the Social Union Framework Agreement 2001 deadline for eliminating residency-based policies re occupational mobility.
- With an increased emphasis on the need for greater immigration to meet future labour market needs in Canada, the recognition of foreign qualifications has become a key issue for governments in recent years.
- Under the AIT, once a foreign-trained worker is recognized in one Canadian jurisdiction, obligations under the AIT apply if and when they try to relocate to a second Canadian jurisdiction and work in the same occupation.
- While real progress has been made in recognition of professional accreditation among provinces, the same recognition does not necessarily apply to foreign-trained professionals.

Action Items:

- i. Provincial and territorial officials will: a) provide a status report and possible recommendations concerning occupational mobility, and b) work closely with regulatory bodies to ensure consistent treatment and mutual recognition of foreign qualifications of professionals in Canada.
- ii. Officials will provide a progress report to P/T Ministers

Responsibility: Lead jurisdiction – Ontario

Date for completion: April 2005



3.6 Address gaps between the AIT and issues outside of scope of current Agreement

Background to this issue

- Report on the trade barriers resulting from gaps and exemptions in coverage and options for addressing these to be prepared for Ministers at their 2005 annual meeting (See item 1.5).
- Work is underway by officials on streamlining and simplifying the AIT.

Action Items:

- i. Ministers will agree on a workplan, with clear timelines, to address the gaps and exemptions identified for action in this report at their 2005 meeting.
- ii. Ministers will consider any options identified by officials for streamlining, simplifying and clarifying the AIT.

Responsibility: Lead jurisdiction – Alberta and British Columbia

Date for completion: Workplan to be completed at 2005 Annual Meeting of Ministers. Timelines for completion on actions related to gaps identified will be outlined in workplan.

3.7 Accelerate the Harmonization of Regulations and Standards

Background to this issue:

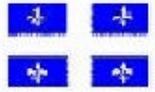
- Many perceived internal trade barriers stem from differing regulations and standards and associated processes.
- Most AIT sector chapters emphasize regulatory harmonization on a “best efforts” basis, which has led to mixed success.
- There have been suggestions that regulators should be made more accountable and that other countries have found ways of minimizing trade/mobility impacts

Action Items:

- i. Officials will report to ministers on the status of harmonization efforts and identify options for ministerial review on accelerating the process and preventing new barriers stemming from regulatory activity.

Responsibility: Lead jurisdiction – Nova Scotia

Date for Completion: April 2005



3.8 Review of the Scope and Coverage of the Agriculture Chapter

Background to this issue:

- Various agri-food industry sectors have criticized the limited coverage of the Agriculture Chapter while others have complained that it impacts negatively upon supply-managed commodities.
- The AIT called for Ministers of Agriculture to complete a review of the scope and coverage of the Agriculture Chapter of the AIT by September 1, 1997. Agriculture Officials conducted an extensive review of the Chapter, including drafting of potential new text for a Chapter, but resolution of this issue has not yet been concluded at any of the annual ministerial meetings.
- Agriculture Ministers have clearly indicated that internal trade barriers are less of a priority issue and that officials should focus on international trade issues.

Action Items:

- i. P/T Ministers of Agriculture will be asked to include a discussion on a review of the Agriculture Chapter at their annual meeting in June 2004.
- ii. P/T Agriculture Officials will review and update prior work and bring forward final recommendations for the 2005 Annual Meeting of Agriculture Ministers.

Responsibility: Lead jurisdiction – Prince Edward Island

Date for completion: P/T Ministers of Agriculture will complete their review no later than their June or July 2005 Annual Meeting.

3.9 Improvements to the Procurement Chapter

Background to this issue:

- A great deal has been accomplished under the Procurement Chapter to date.
- Local content preferences have been reduced, tender calls are to be publicly tendered and electronically published and the MASH sector procurements are now covered under the Agreement.
- However, additional improvements can be made to government procurement in Canada.

Action Items:

- i. Officials will undertake a full review of the Procurement Chapter in the Agreement on Internal Trade with a view to identifying proposals such as the reduction of the thresholds that currently



apply under the Agreement, expansion of the Chapter's coverage to include professional services and access to tender calls by way of a unique gateway.

Responsibility: Lead jurisdiction – Newfoundland and Labrador

Date for completion: April 2005

4.0 Other Business

Provinces and territories, either individually or in groups, are encouraged to undertake research and analysis and/or actions into internal trade matters and issues of interest and to report the results of these undertakings to P/T ministers responsible for trade. In this context, this workplan should be considered to be a “living” document that may be amended by provinces and territories as may be agreed.

