

# Recommendations for Government

## 1 Modernize the regulatory environment

Canada should commit to the goal of being the most efficiently regulated country on earth, as measured by the World Bank's "Doing Business" index and the World Economic Forum's annual Competitiveness rankings.

A survey of Business Council members in January 2019 identified the regulatory burden as the single most important factor weighing on Canadian competitiveness. This sentiment is borne out by numerous independent comparisons of regulatory governance. For example, since 2006 Canada has fallen from fourth place to 22<sup>nd</sup> in an annual World Bank study that measures the regulatory burden on business. In the 2018 World Economic Forum (WEF) Global Competitiveness Index, Canada ranked 12<sup>th</sup> out of 140 countries in overall competitiveness, but 53<sup>rd</sup> based on the burden of government regulations. Many of these regulatory barriers stem from duplication and inadequate alignment across federal, provincial, territorial and municipal governments. A 2019 study by the International Monetary Fund concluded that reducing internal trade barriers in Canada could boost per capita GDP by four per cent.

These dismal findings are of more than theoretical interest. They directly influence international perceptions of Canada as a place to do business and, in so doing, undermine our country's ongoing efforts to attract foreign direct investment. They raise costs for consumers, reduce employment opportunities and limit the ability of businesses to invest in new, productivity-enhancing machinery and processes.

In early 2019, acting on recommendations from the Canadian Chamber of Commerce, the Advisory Council on Economic Growth, and the Economic Strategy Tables, the federal government established the External Advisory Committee on Regulatory Competitiveness. The committee brings together business, academic and consumer representatives from across the country to provide an independent perspective on barriers to business success. We see this as a positive step, but it falls short in one critical respect: its role is limited to providing advice to Treasury Board.

In our view, what is needed is an independent, arm's-length oversight agency with the ability to issue public reports and a legislated mandate that transcends the political cycle. The agency's mission would be to shine a light on the cumulative impact of regulation on Canada's national economy, helping governments at all levels prioritize their efforts to reform and modernize the system. In recent years both Germany and Denmark have created similar watchdog institutions, improving the transparency and accountability of the regulatory system while reducing the regulatory burden on businesses and citizens.

## Both Germany and Denmark have created watchdog agencies to tackle unnecessary bureaucracy

Germany's Regulatory Control Council (Normenkontrollrat, or NKR) was established in 2006 as an autonomous advisory body that works to prevent unnecessary bureaucracy and reduce compliance costs. Before the German federal government adopts any new piece of legislation, the NKR reviews the ministries' estimates of compliance costs for citizens, businesses and public authorities and reports to both parliament and the German public. The NKR also reviews existing administrative procedures in order to make them simpler and faster. Recent examples include the application processes for parental benefits, work and residence permits for skilled foreign labour, and the reduction of bureaucracy in the everyday life of physicians and dentists.

Denmark's approach to regulatory simplification is similarly based on the principle of independent

oversight. In 2012, the Danish government established the Business Forum for Better Regulation, composed of representatives of industry and labour organizations, businesses, and professionals with expertise in simplification. The forum meets three times a year to identify and propose reforms, which can include changing rules, introducing new processes or shortening processing times.

Importantly, the forum's recommendations are covered by a "comply or explain" rule, meaning the government must either accept the forum's proposals or explain why it has chosen not to do so. As of October 2019, the forum had submitted 803 proposals for regulatory streamlining, of which 294 had been fully and 305 partially implemented. Another 74 ideas are under active consideration. To improve transparency and accountability, progress is reported in real-time and in plain language on a website, to which members of the public are invited to submit suggestions for further reform.

### What others are saying

"Standards are important, but regulations should not necessarily dictate how those standards are to be met. Too often we take a 'belt and suspenders' approach. The result is unnecessary costs and delays, and too many sub-scale firms."

– Roundtable participant in Toronto

"We urgently need to establish a modern regulatory system that fosters innovation and adoption by focusing on outcomes, not prescriptions. This will require a new, collaborative relationship between industry and regulators, and has to move away from a system that requires multiple, overlapping reporting requirements for the same issue."

– Canada's Economic Strategy Tables, September 25, 2018

"To stimulate more investment and attract more capital, Canada should aspire to set the global gold standard for regulatory efficiency and predictability."

– Advisory Council on Economic Growth, "Investing in a Resilient Canadian Economy", December 1, 2017

"There are investors who would like to invest in Canadian oil and gas, but they are afraid of how complex Canada's regulatory system has become."

– Roundtable participant in Calgary

"The Canadian Free Trade Agreement was a good first step, but so far it really hasn't amounted to much. The provinces are pursuing internal trade liberalization in an ad hoc way, going line by line through different regulations and trying to harmonize them. [W]e can do better than that."

– Roundtable participant in Calgary

"It's harder to do business in Canada than in many other jurisdictions, and it is difficult to launch major projects."

– Roundtable participant in Montreal

"In Canada we have a regulatory patchwork, which is slowing investment. We need better intergovernmental coordination."

– Roundtable participant in Montreal

"Norway is using the money it earns from oil to fund its transition to renewable energy. But it takes an average of 900 days to get approval [for an oil project] in Canada, as opposed to 120 days in Norway. Canada is very slow."

– Roundtable participant in Montreal