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IMPACTS OF CANADA'S REGULATORY STRUCTURE ON SMALL BUSINESS: BETWEEN PROTECTION AND COMPETITION

**Report of the Standing Committee on Industry, Science
and Technology**

Dan Ruimy, Chair

**APRIL 2019
42nd PARLIAMENT, 1st SESSION**

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NOTICE TO READER

Reports from committee presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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has the honour to present its

FIFTEENTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the impacts of Canada's regulatory structure on small business and has agreed to report the following:

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SUMMARY

Regulation ensures, among other things, public health and safety. However, the duplication and lack of harmonization of regulations across and among jurisdictions can create a significant burden and generate important costs for Canadian businesses. There are hundreds of federal laws and regulatory requirements, in addition to an unknown number of regulatory requirements imposed by provincial, territorial and municipal governments. This burden can be greater for small businesses, given their fewer resources. The lack of harmonization can hinder market access for Canadian companies by slowing down some approval processes, increasing costs and creating barriers to trade within Canada and internationally. Ultimately, the regulatory burden can hinder competitiveness and innovation opportunities.

The federal government has already implemented various initiatives in recent years to reduce regulatory burden. For example, it implemented the *Red Tape Reduction Act* in 2015 and introduced in the Fall 2018 Economic Statement several initiatives to support business innovation and competitiveness, such as the new Cabinet Directive on Regulation. However, these initiatives will only have a substantial impact if they are accompanied by a change in culture among regulatory bodies.

In this report, the House of Commons Standing Committee on Industry, Science and Technology proposes eleven recommendations to reduce the regulatory burden in Canada and support a culture change within regulatory bodies.

LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

That the federal government, in collaboration with municipal, provincial and territorial governments, put in place a public mechanism to measure and consolidate the number of regulatory requirements Canadian businesses are subject to, and that this mechanism also provide a way to assess duplicate regulatory requirements between levels of government, with a view to eliminating redundant requirements. 21

Recommendation 2

That the federal government, when assessing regulations, include new evaluation criteria focused on business innovation and competitiveness, and consider conducting small-scale preliminary studies on the impact of regulations on innovation and competitiveness. 22

Recommendation 3

That the federal government consider taking measures to make regulations more flexible, for example by making outcome-based rather than process-based regulations and supplementing regulations with guidance documents. 22

Recommendation 4

That the federal government report on the implementation of the initiatives announced in the new *Cabinet Directive on Regulation*, especially those aiming at supporting innovation, to assess and measure how they have affected the activities of Canadian businesses, and that it report on the results of these initiatives to the House of Commons Standing Committee on Industry, Science and Technology within three years. 22

Recommendation 5

That the federal government establish modern and preferred means of communication with small businesses to respond to their questions, concerns, and applications in a service-oriented, efficient, and timely manner. 22

Recommendation 6

That the federal government review the *Red Tape Reduction Act* and its application in light of the implementation by the British-Columbia government of a “2-for-1” rule on introducing new regulations, and consider adopting a similar approach at the federal level..... 22

Recommendation 7

That the federal government look for opportunities to use technology to both simplify a company’s adherence to regulations while at the same time improving compliance. 22

Recommendation 8

That the federal government collaborate with provincial and territorial governments to put in place consistent product certification standards across Canada to eliminate differences in regulatory requirements that affect trade in various industries, particularly the agri-food industry. 29

Recommendation 9

That the federal government consider ways to simplify and reduce the cost of the various product approval processes in Canada in order to eliminate barriers to bringing products to market. 30

Recommendation 10

That the federal government consider ways to eliminate barriers of entry for new health products when doing so would favour public health, for example by allowing drug manufacturers and importers to file multiple pharmaceutical formulations of the same drug under a single application, when appropriate..... 30

Recommendation 11

That the federal government consider increasing the harmonization of regulatory standards and processes with those of its trade partners in order to ensure the safety and security of products while reducing Canadian market access barriers for businesses. 30



IMPACTS OF CANADA'S REGULATORY STRUCTURE ON SMALL BUSINESS: BETWEEN PROTECTION AND COMPETITION

INTRODUCTION

On 29 January 2019, the Standing Committee on Industry, Science and Technology (the Committee) passed the following [motion](#):

That the Committee undertake a study of the impact of Canada's regulatory structure on small business. The study should identify areas for legislative and regulatory modernization and improved international cooperation. The study should be undertaken with the goal of identifying areas for improved efficiency to reduce costs to regulated parties, support international alignment and trade, and create flexible pathways for innovative products and processes to come to market while protecting the health and safety of Canadians. The study should be for no more than three or four meetings.

In its study of the impact of the regulatory structure on small business, the Committee held six meetings between 31 January and 28 February 2019.¹ It heard from 26 witnesses, including officials from Innovation, Science and Economic Development Canada (ISED), small business owners, and the directors and presidents of associations representing various industries. The Committee also received five briefs.²

COST AND REGULATORY BURDEN

According to [Ryan Greer](#), Senior Director, Transportation and Infrastructure Policy, Canadian Chamber of Commerce (CCC), it is difficult to measure the burden that the regulatory framework places on Canadian businesses, given that the regulations of many agencies make up the framework. [Francesc McRae](#), Assistant Deputy Minister, Small Business and Marketplace Services, ISED, stated that the federal government has 400 acts containing 2,600 regulations governing the activities of Canadian businesses. The [Canadian Federation of Independent Business](#) (CFIB) estimates that these laws and regulations result in close to 130,000 federal requirements for small business – which it

1 The House of Commons Standing Committee on Industry, Science and Technology (INDU) held two more meetings than the number specified in the motion.

2 Please see Appendix A for the full list of witnesses and Appendix B for the full list of briefs.



believes is a conservative estimate – and that about 30% of these requirements could be eliminated without diminishing the quality of regulation. The total number of federal, provincial, territorial and municipal regulations is not known, since ISED assesses federal requirements but does not evaluate the cumulative effect of other government requirements on Canadian businesses, as [Frances McRae](#) explained.

[R]egulatory overlap and duplication among and across jurisdictions constitute one of the main problems with Canada’s regulatory framework.

A number of witnesses told the Committee that the lack of coordination increases the regulatory burden, as it leads to a cumulative effect and duplication of regulations among government organizations.³ As [Frances McRae](#) stated, given that regulations are developed independently of each other under various acts, they are not reviewed to identify any possible links between them. As a result, each regulation comes into force on a different date. According to several witnesses, regulatory overlap and duplication among and across jurisdictions constitute one of the main problems with Canada’s regulatory framework.⁴

Each year, the World Economic Forum releases the [Global Competitiveness Report](#), which ranks close to 140 countries based on their competitiveness, defined as the set of institutions, policies and factors that determine the current and medium-term levels of sustained economic productivity. Several witnesses highlighted Canada’s ranking in the Global Competitiveness Report as a sign that the country’s regulatory burden needs to be reduced.⁵ In 2017–2018, the [Global Competitiveness Index](#) (CGI) ranked Canada 14th out of 137 countries in terms of global competitiveness. However, it placed 53rd in terms of government regulatory burden, a decline from its [2015](#) ranking of 37th. While this is a

3 INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0915 (Bob Masterson, President and Chief Executive Officer, Chemistry Industry Association of Canada); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 1005 (Brian Lewis, President and Chief Executive Officer, MEDEC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0935 (Michael MacGillivray, Owner, Kirkview Farms).

4 INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 1005 (Brian Lewis, President and Chief Executive Officer, MEDEC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0915 (Bob Masterson, President and Chief Executive Officer, Chemistry Industry Association of Canada); INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0935 (Michael MacGillivray, Owner, Kirkview Farms).

5 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0935 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0915 (Bob Masterson, President and Chief Executive Officer, Chemistry Industry Association of Canada).

relative measure, a few witnesses noted that this ranking illustrates the need to reduce the regulatory burden on Canadian businesses.⁶

Lastly, various witnesses stated that British Columbia has been working for about 20 years to reduce the regulatory burden, and its efforts are a model of regulatory best practices for the federal government to follow.⁷ Between 2001 and 2018, British Columbia reduced red tape by 49%. To achieve these results, it first applied the two-for-one rule (for each new regulation added, two regulations must be removed) between 2001 and 2004 which saw the regulations be reduced by 36%. Once this rule achieved its objective, British-Columbia applied the one-for-one rule between 2004 and 2018. It should be noted that regulations continued to be reduced by another 13% to a full reduction of 49%. According to [Laura Jones](#) and [Tim McEwan](#), the fact that the number of regulations kept decreasing after the government switched rule really demonstrates a culture change within government. Moreover, to create a sustainable, simplified regulatory framework, the province broadened “the scope of red tape reduction to include service delivery improvements within government”⁸ between 2015 and 2017.

According to the Independent Contractors and Businesses Association of British Columbia (ICBA), red tape was reduced thanks to several joint practices introduced as of 2001:

- the mandate letter of each minister includes a requirement to participate in reducing red tape;
- the aggregate number of regulations is measured: to reduce the burden, regulations must be measured and there must be a commitment to maintain and preferably reduce levels; and
- a secretariat was established as a central agency to ensure ideas are actioned and ministries are held accountable. The legislation provides for annual reporting.

6 INDU, [Evidence](#), 5 February 2019, 0935 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0915 (Bob Masterson, President and Chief Executive Officer, Chemistry Industry Association of Canada).

7 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0850 (Laura Jones (Executive Vice-President, CFIB), INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0900 (Tim McEwan, Senior Vice-President, Policy and Stakeholder Engagement, Independent Contractors and Businesses Association of British Columbia (ICBA)). See also ICBA, [Brief](#), 20 February 2019.

8 ICBA, [Brief](#), pp. 2–3, 20 February 2019. See also INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0855 (Tim McEwan, Senior Vice-President, Policy and Stakeholder Engagement, ICBA).



A number of witnesses believed that British Columbia's actions offered good examples of ways to reduce the regulatory burden in Canada.⁹

The Burden on Small Businesses

A few witnesses stated that the regulatory burden hits small businesses the hardest, proof of the need to consider them specifically when introducing regulations.¹⁰ The burden is heavier on them because they have fewer resources than larger companies to help them meet the many duties involved in regulatory compliance.¹¹ [Michael MacGillivray](#), owner of Kirkview Farms, explained the situation:

I filled out this form to come here today, and it says that my title is "owner". Well, I'm also the chief financial officer, the director of sales and marketing, and the health and safety officer. As a small business, you have to wear multiple hats and it becomes very challenging, especially when you get into some of these regulatory aspects. As soon as you start to dig into it, you find that you're opening up Pandora's box, because this regulation refers you to another one, and then it gets to the point where you're just trying to do it as best you can.

Also, according to [Corinne Pohlmann](#), Senior Vice-President of National Affairs and Partnerships at the CFIB, small businesses also pay higher costs per employee, given the regressive nature of the regulatory burden.

[Karen Proud](#), President of Consumer Health Product Canada (CHPC), noted that small businesses have fewer opportunities to explain their issues to regulatory bodies because they have fewer resources. The consultation process puts small businesses at a disadvantage, as they lack the resources to participate in this sometimes lengthy process. In her [view](#), consultations are important and should be tailored to small businesses.

9 INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0855 (Tim McEwan, Senior Vice-President, Policy and Stakeholder Engagement, ICBA). See also ICBA, [Brief](#), 20 February 2019, p. 3.

10 INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0945 (Karen Proud, President, Consumer Health Products Canada (CHPC); ICBA, [Brief](#), 20 February 2019.

11 INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0935 (Michael MacGillivray, Owner, Kirkview Farms); ICBA, [Brief](#), 20 February 2019.

[Ryan Greer](#) explained that small businesses need better tools to simplify and facilitate regulatory compliance. For example, it would be very helpful for the Canada Revenue Agency (CRA) to streamline and improve online tools for small business. Currently, small businesses have different accounts for different requirements instead of just one centralized account. [Corinne Pohlmann](#) commented that small businesses must still submit forms by fax; it would be much faster and more efficient to send them by email. She [added](#) that when they call a CRA employee, the quality of service is not guaranteed as the employee does not always provide the right answer. [She](#) further said that in general, the language used by the CRA in its various means of communications is not always clear and simple.

“As a small business, you have to wear multiple hats and it becomes very challenging, especially when you get into some of these regulatory aspects.”

Estimated Cost of the Regulatory Burden

[Ryan Greer](#) noted that it is hard to calculate the cost of the regulatory burden on businesses. A number of witnesses told the Committee that the total cost of regulatory compliance involves both financial and opportunity costs, since businesses must spend considerable time filling out forms rather than focusing on their operations.¹² The burden of these forms is created not only by their complexity, but also by the fact that some questions are asked many times, creating redundancy. Following a survey of its members, the [CFIB](#) estimated the cost of regulatory compliance to be \$36 billion for Canadian businesses of all sizes. CFIB Executive Vice-President [Laura Jones](#) stated that this is a very conservative estimate that came out of “frustration that governments themselves weren’t measuring or doing anything about it.”

Not all witnesses believe that a cost-benefit analysis, which is the way in which the federal government currently estimates the cost of each regulation, helps determining and reducing the regulatory burden. Some said that a number of businesses no longer have confidence in this type of analysis, as it seems to be used to justify a decision

12 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0855 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business (CFIB)); INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0845 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC), ICBA, [Brief](#), 20 February 2019.



rather than evaluate the cost and relevance of a new initiative.¹³ [Laura Jones](#) commented that, while cost-benefit analysis is not the best way to reduce regulations, it is useful for evaluating new regulations. In her [view](#), a cost-benefit analysis should be complemented by an “aggregate, comprehensive, simple count kind of measure” to reduce the regulatory burden.

Implementing a Culture of Innovation

According to a number of witnesses, reducing red tape involves addressing one of the main causes of the problem: government culture. In their view, governments get recognition mainly when they introduce new regulations, regardless of the impact on business, because the sole objective of regulation is to protect Canadians. Reducing or streamlining regulations to encourage innovation is not a priority and, therefore, not recognized as an accomplishment within regulatory agencies.¹⁴ [Ryan Greer](#) also noted that “[p]rotection and prosperity are not an either/or proposition, yet many regulators are not achieving a balance between the two in their decision-making, because they are not required to do so.” [Laura Jones](#) explained that “what we want to shift to is regulation makers turning into regulation managers.”

[R]educing red tape involves addressing one of the main causes of the problem: government culture.

Many witnesses stated that economic and competitive growth should be included in the mandates of regulatory bodies.¹⁵ [Ryan Greer](#) told the Committee that “embedding innovation and economic growth mandates will empower, encourage and require those officials to actually sit down and determine the true costs of some of these things.” [He](#) added that, in the United States and Europe,

13 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0905 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 1035 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen’s Association).

14 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0845 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0930 (Laura Jones, Executive Vice-President, CFIB); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0915 (Bob Masterson, President and Chief Executive Officer, Chemistry Industry Association of Canada); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0950 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen’s Association).

15 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0905 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0915 (Bob Masterson, President and Chief Executive Officer, Chemistry Industry Association of Canada).

both innovation and protection are included in the mandates of departments and agencies. Lastly, according to [Corinne Pohlmann](#),

[O]ne of the things we have found where regulatory modernization has been the most effective is political leadership. If the political leadership writes into the mandate of the officials that they must do this and then keeps them to it, that is the most effective way to get change when it comes to regulation. It has to come from the political level.

A number of witnesses stated that an outcome-based regulatory approach would help to clarify how regulations affect business opportunities for innovation.¹⁶ According to [Ryan Greer](#), an outcome-based approach would lead to a more nimble regulatory framework that can keep pace with innovation. [He](#) explained that more flexible regulations enable businesses to adapt to regulatory requirements based on their constraints and stimulate their opportunities for innovation. Various witnesses said that one of the criteria of good regulations is their ability to adapt to change.¹⁷

Challenges and Potential Solutions

The issues regarding reducing and managing the regulatory burden are clearly evident in the activities of various departments and agencies. These issues also arise in several sectors such as the transport industry, and the agriculture and agri-food industry. The federal government has introduced various initiatives to address these issues, but additional work is needed to reduce the regulatory burden.

Canada Revenue Agency

A number of witnesses told the Committee that the CRA's regulatory requirements constitute a significant part of the administrative burden on Canadian businesses.¹⁸ [Corinne Pohlmann](#) stated that according to the CFIB survey, "[t]ax related regulations

16 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0920 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0950 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen's Association).

17 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0900 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0950 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen's Association).

18 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0900 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0955 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, CFIB); INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0850 (Kim Moody, Director, Canadian Tax Advisory, Moodys Gartner Tax Law).



and paperwork really dominate the top three” types of federal irritants creating a burden to businesses, since “all businesses have to deal with CRA”.

Various witnesses stated that Canada’s corporate income tax system is too complicated and costly for businesses and asked that it be simplified and modernized.¹⁹ The last comprehensive tax reform was in 1987, however, [Kim G. C. Moody](#), Director, Canadian Tax Advisory, Moodys Gartner Tax Law, put it before that, stating that the last main comprehensive tax review and reform was the Royal Commission on Taxation which published a report in 1966, following a four year study. Recommendations were debated and changes were introduced in 1972. According to [him](#), the legislation has since grown more complex as requirements have been added each year and it now resembles a “patchwork quilt” of regulatory requirements. Mr. Moody made the following two proposals to simplify the legislation:

- create an independent office of tax simplification to advise government. The United Kingdom has already taken this step; and
- undertake a comprehensive tax review and reform.

[Ryan Greer](#) supported the idea that there is a need to simplify and modernize the tax system, and stated that the CCC would shortly release a report on this.

Witnesses stated that the complexity of the income tax system causes many underlying problems for small businesses.²⁰ For example, according to the [Canadian Camping and RV Council](#), some campground owners are denied the Small Business Tax Deduction because of arbitrary rulings between certain classifications. It claimed that this inconsistency led to some campgrounds being reassessed for the Small Business Tax Deduction, “some retroactively 2-3 years, resulting in a corporate tax rate increase to nearly 50% vs 14%.”²¹ These businesses lack the means to appeal these decisions.²²

19 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 1020 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0850 (Kim Moody, Director, Canadian Tax Advisory, Moodys Gartner Tax Law).

20 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0905 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 1010 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, CFIB); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0855 (Stephen Laskowski, President, Canadian Trucking Alliance (CTA)); Canadian Camping and RV Council, [Brief](#), 28 February 2019.

21 Canadian Camping and RV Council, [Brief](#), 28 February 2019, p. 2.

22 INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0855 (Stephen Laskowski, President, ACC); Canadian Camping and RV Council, [Brief](#), 28 February 2019.

Clarifications in the income tax system are important to ensure fairness and consistency in the CRA rulings.

Witnesses told the Committee that the CRA should consider the regulatory burden created by new regulations. For example, some criticized changes to the federal tax on split income requirements, not because they are inherently bad, but because they create so much additional paperwork to complete.²³ In contrast, according to [Corinne Pohlmann](#), small businesses welcomed the new threshold on the Goods and Services Tax and payroll taxes since it means they do not have to file as often. For small businesses, the compliance burden generated by a regulation is just as important a consideration as the regulation itself.

[T]he complexity of the income tax system causes many underlying problems for small businesses.

Transport Industry

A number of initiatives affecting the transport industry could be streamlined or introduced to both reduce the regulatory burden and improve public health and safety. According to [Stephen Laskowski](#), introducing electronic logbooks that are harmonized with the U.S. system would significantly help small trucking firms while increasing safety and reducing the potential for misuse. [He](#) stated that eliminating paper logbooks would lead to about \$2,000 in savings annually per truck driver. An electronic process would make it easy to enforce and comply with federal safety regulations, which are administered by the provinces in this instance. It would thus reduce the administrative burden while increasing safety. [He](#) explained that these devices would be checked by a third party and would be tamper-proof, making falsification impossible.

Carbon Pricing and Other Environmental Initiatives

Although witnesses were not opposed to carbon pricing, some highlighted the new regulatory burden associated with the tax and its potential impact on the competitiveness of some Canadian businesses.²⁴ [Bob Masterson](#), President and Chief

23 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0915 (Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships, CFIB). See also INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0950 (Kim Moody, Director, Canadian Tax Advisory, Moodys Gartner Tax Law).

24 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0910 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0850 (Stephen Laskowski, President, CTA).



Executive Officer of the Chemistry Industry Association of Canada, said he was concerned about duplication of responsibilities if the provincial and federal roles are not clearly defined. [Stephen Laskowski](#) explained that the trucking industry is currently covered by the International Fuel Tax Agreement (IFTA), which makes it easier for interprovincial carriers to report and pay tax on the fuel they use. However, carriers do not know if the new federal carbon pricing registry will be as seamless as the IFTA, given that some provinces have their own carbon pricing system and others are covered by the federal system.

[Stephen Laskowski](#) stated that carbon pricing is one among several green initiatives, such as the Clean Fuel Standard, that have been introduced by various governments that would increase the input costs for truckers. [Ryan Greer](#) noted that the federal government needs to conduct a proper economic analysis of the cumulative impacts of these multiple requirements on business competitiveness. It must also examine the purpose of the new regulations that it introduces. For example, the Clean Fuel Standard and carbon pricing are designed to encourage trucking companies to reduce their fuel consumption. However, although they must pay additional fees, truckers will not be encouraged to decrease their fuel use because there is no alternative fuel available to them. [Stephen Laskowski](#) suggested that the funds collected through these green requirements be returned to the industry and invested in new technologies that will eventually help carriers reduce their fuel consumption.

Agriculture and Agri-Food Industry

Regulation in the agriculture and agri-food industry must focus on effectiveness as well as competitiveness. Regulations that ensure consumer safety are essential and can support the competitiveness of businesses in some ways.²⁵ However, many witnesses claimed that there is a lack of consideration for business competitiveness when implementing some aspects of regulation, which greatly affects business activities.²⁶

25 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0920 (Darcy DeMarsico, Director, Economic Strategy Tables Bureau, Department of Industry).

26 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0950 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen's Association); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 1010 (Dave Carey, Executive Director, Canadian Seed Trade Association); Canadian Canola Growers Association, [Brief](#), 20 February 2019.

According to [Paul Medeiros](#), Managing Director, North America, NSF International,²⁷ the new *Safe Food for Canadians Regulations*, which came into force on 15 January 2019, raise concerns but also present opportunities for Canadian businesses. [He](#) explained that this new regulation is not burdensome for existing companies because they are used to a stringent system with high standards. However, [he](#) was concerned about the thousands of new companies that will require licences to comply with the regulations. [He](#) also stated that the Canadian Food Inspection Agency (CFIA) needs to explain the new standards and requirements to small businesses more effectively in order to help them comply.

Some witnesses told the Committee that strict and rigorous Canadian food safety regulations can help businesses. [Darcy DeMarsico](#), Director of the Economic Strategy Tables Bureau, explained that these regulations can give businesses a competitive edge because consumers are sure they are buying quality products. [Paul Medeiros](#) added that a strong regulatory system can significantly help small businesses, given that they have fewer resources:

A smaller manufacturer does not have the bandwidth or the sophistication to police its own ingredients supply chain. The Maple Leaf Foods of the world can do it. The Loblaw's can do it. The local candy manufacturer or the local bakery cannot do it. The more the regulators can ensure that the ingredients coming in to that small manufacturer are safe, the better able that small manufacturer is to produce a safe product.

[Ray Blin](#), General Manager of Silver Valley Farms Ltd., called for imports to Canada to meet the same strict quality standards as those established by the CFIA.

A number of witnesses stressed that the industry's regulatory bodies did not fully consider how their requirements affect business competitiveness. For instance, in its [brief](#), the Canadian Canola Growers Association stated that, when deciding whether to ban a pesticide, the Pest Management Regulatory Agency (PMRA) does not consider how its decision affects the competitiveness of businesses that have no other alternatives.²⁸ Moreover, [Dave Carey](#) explained that provincial and territorial bodies also legislate the use of pesticides, which changes the cost of doing business from one province to another as they do not have the same standards. [He](#) stated that "... the way farmers operate in Manitoba, Alberta and Saskatchewan means that they are at a competitive advantage against farmers operating in Ontario and Quebec, and it's not

27 The acronym NSF originally stood for "National Sanitation Foundation." This is no longer the case, as the organization's mandate has been expanded. Today, NSF International develops public health and safety standards and certification programs.

28 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 1010 (Dave Carey, Executive Director, Canadian Seed Trade Association); Canadian Canola Growers Association, [Brief](#), 20 February 2019.



based on science.” According to him, to better manage these issues, the PMRA should solely manage pesticides in Canada.

Lack of consideration for business competitiveness also exists with regard to cost recovery. According to [Dave Carey](#), Executive Director of the Canadian Seed Trade Association, cost recovery is not a problem if the services add value, for example by speeding up administrative processes to secure intellectual property protection. However, according to [John Masswohl](#), Director, Government and International Relations, Canadian Cattlemen’s Association, the cost-recovery policy is sometimes set without consulting industry stakeholders. This may cause some businesses to consider moving their operations or investing in jurisdictions where regulations have less of an impact on their competitiveness.²⁹

Federal Government Initiatives

The federal government has announced a number of initiatives in recent years to address companies’ concerns about the heavy regulatory burden and the lack of innovation within regulatory bodies.

Reducing the Burden

The federal government has implemented a number of initiatives in recent years to reduce the regulatory burden in Canada. For example, in 2015, it introduced the [Red Tape Reduction Act](#), establishing the one-for-one rule. However, many witnesses found this measure to be inadequate. [Ryan Greer](#) said that a two-for-one rule should be in place for a few years, to ensure that superfluous requirements are removed more quickly. In addition, the scope of regulations that are subject to this rule varies from one jurisdiction to another. According to [Laura Jones](#), the American one-for-one rule is too narrow, as very few legislative requirements are eligible for it, the Canadian rule is adequate, and the British Columbian rule is excellent, as it covers a broader range of regulatory requirements. [She](#) believes that the Canadian one-for-one rule should be expanded to include more legislative requirements, as is the case in British Columbia.

Also, [Frances McRae](#) explained that the new Cabinet directive outlined in the [Fall Economic Statement 2018](#), seeks to make it easier to coordinate regulatory requirements between governments:

29 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 1040 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen’s Association); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 1035 (Ray Biln, General Manager, Silver Valley Farms Ltd.).

[T]he new cabinet directive has a number of elements. One of them will require departments to regularly review the stock of their regulations. We believe this is very, very important for precisely these reasons. This has to be done with the Treasury Board Secretariat coordinating it, because if a department reviews its own stock and doesn't see a link to another department's regulation, or there's an industry that maybe has a lot of different requirements from different departments, that wouldn't be good. The whole idea is to get much more holistic about how we look at these things.

However, according to [Bob Masterson](#), the directive does not address the issue of jurisdiction in Canada, which he believes must be a key part of the solution, given the extent of regulatory overlap and duplication in Canada.

Despite the many government initiatives in recent years, Canada's regulatory burden is still cumbersome. According to ISED officials, it is difficult to reduce the regulatory burden because the environment is constantly changing due to a variety of factors, including economic and technology developments.³⁰ [MEDEC](#) suggested that, to improve the agility of regulatory requirements and reduce the burden, the government could use guidelines, which are simpler and faster to implement than new regulations. According to [Stephen Fertuck](#), Senior Director of the Portfolio and Intergovernmental Engagement Secretariat at ISED, while Canada's regulatory requirements are much more flexible than before, there is still a need for improvement.

Supporting Small Businesses

[Frances McRae](#) said that ISED considers the concerns of small businesses in its regulatory practices and implements specific initiatives to help them manage the regulatory burden. For example, the new *Cabinet Directive on Regulation* requires that all regulations be examined with a view to minimizing impacts on small business. This means that regulators must consider the impact of all regulations on small businesses, even if the expected impact is negligible. [She](#) added that, prior to the Directive, this assessment was necessary only if the impact was estimated to be over \$1 million. In addition, ISED now has a new platform, Innovation Canada, which gives entrepreneurs access to the programs and services they need, for all levels of government. [She](#) also said that ISED is working to make it easier to protect intellectual property, which is very important for small businesses looking into exporting.

30 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0910 (Frances McRae, Assistant Deputy Minister, Small Business and Marketplace Services, Department of Industry); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0905 (Stephen Fertuck, Senior Director, Portfolio and Intergovernmental Engagement Secretariat, Department of Industry).



According to [Frances McRae](#), a number of other federal organizations are working to improve their services for small businesses. For example, the CRA is seeking to improve its online platforms and telephone services for small businesses. Employment and Social Development Canada (ESDC) is modernizing its service delivery, beginning with Employment Insurance. Public Services and Procurement Canada (PSPC) is working to transform the way it serves small businesses through a new electronic procurement platform that will give small businesses and entrepreneurs better access to government contract opportunities.

Encouraging Innovation

According to [Frances McRae](#), the [Economic Strategy Tables](#) are a new model for industry–government collaboration to support innovation among Canadian businesses. These tables are part of the [Innovation and Skills Plan](#) announced in [Budget 2017](#). They are intended to create conditions more conducive to competition and innovation for Canadian companies working in Canada and abroad. For example, according to [Darcy DeMarsico](#), further to the recommendations from the economic strategy tables, ISED confirmed that “sandboxes stood out as being a very vital way to deal with novel issues and the issues that come up in an innovation context, because you need to find a safe way to experiment.”

[Frances McRae](#) said that one of the priorities of the economic strategy tables is to “develop an agile regulatory system that ranks within the top quartile globally, and that’s conducive to innovation, creates public trust and attracts investment.” [She](#) added that the strategy tables give Canada’s regulatory framework the flexibility it needs. In fact, several recommendations from the strategy tables were incorporated into the Fall Economic Statement 2018.

[Frances McRae](#) explained that the [Fall Economic Statement 2018](#) outlined a number of initiatives to support business innovation. For example, it announced the new Cabinet Directive on Regulation [which](#) recommends, for one, that the government seek to integrate effectiveness and economic growth into the mandate of regulatory bodies. However, effectiveness is defined very broadly in the directive, as it is based on the set objectives of each regulation, such as health, safety or competitiveness. In response to a question about whether it was worthwhile putting innovation in the departmental regulatory mandates, [Stephen Fertuck](#) said that the Department wanted the federal government to consider whether there is merit in mainstreaming that requirement in an overarching piece of legislation rather than through a Cabinet directive.

The Fall Economic Statement 2018 also outlined other initiatives, endorsed by various witnesses, whose purpose was to increase business innovation and competitiveness.³¹ For example, the Economic Statement announced that an external advisory committee on regulatory competitiveness would be established, as well as a Centre for Regulatory Innovation.³² [Francesc McRae](#) said that the Centre for Regulatory Innovation would study best practices from other governments in Canada and around the world with a view to adopting them at the federal level.

Some witnesses said that these initiatives are promising, and now it is critical that they be implemented.³³ [Bob Masterson](#) made the following statement:

[T]here will be no meaningful improvement at all, whatsoever, unless the central agencies drive adherence to that directive with the same zeal and timeliness they drove government renewal and program review efforts more than two decades ago. Presently, we see absolutely no sign of this on a day-to-day basis.

In [Ryan Greer's](#) opinion, a measure assessing the number of new regulations and the number of regulations removed must be introduced to hold the government publicly accountable so that departments and the government understand the progress they have achieved.

Recommendations

The Committee recommends:

Recommendation 1

That the federal government, in collaboration with municipal, provincial and territorial governments, put in place a public mechanism to measure and consolidate the number of regulatory requirements Canadian businesses are subject to, and that this mechanism

31 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0845 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0900 (Karen Proud, President, CHPC); Canadian Canola Growers Association, [Brief](#), 20 February 2019; Dot Technology Corp., SeedMaster Manufacturing Inc., [Brief](#), 26 February 2019.

32 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0850 (Francesc McRae, Assistant Deputy Minister, Small Business and Marketplace Services, Department of Industry). See also INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0845 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC).

33 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 1005 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0915 (Bob Masterson, President and Chief Executive Officer, Chemistry Industry Association of Canada).



also provide a way to assess duplicate regulatory requirements between levels of government, with a view to eliminating redundant requirements.

Recommendation 2

That the federal government, when assessing regulations, include new evaluation criteria focused on business innovation and competitiveness, and consider conducting small-scale preliminary studies on the impact of regulations on innovation and competitiveness.

Recommendation 3

That the federal government consider taking measures to make regulations more flexible, for example by making outcome-based rather than process-based regulations and supplementing regulations with guidance documents.

Recommendation 4

That the federal government report on the implementation of the initiatives announced in the new *Cabinet Directive on Regulation*, especially those aiming at supporting innovation, to assess and measure how they have affected the activities of Canadian businesses, and that it report on the results of these initiatives to the House of Commons Standing Committee on Industry, Science and Technology within three years.

Recommendation 5

That the federal government establish modern and preferred means of communication with small businesses to respond to their questions, concerns, and applications in a service-oriented, efficient, and timely manner.

Recommendation 6

That the federal government review the *Red Tape Reduction Act* and its application in light of the implementation by the British-Columbia government of a “2-for-1” rule on introducing new regulations, and consider adopting a similar approach at the federal level.

Recommendation 7

That the federal government look for opportunities to use technology to both simplify a company’s adherence to regulations while at the same time improving compliance.

MARKET ACCESS

Companies face various barriers to accessing Canadian markets. [Brian Lewis](#) pointed out that, due to the many regulatory requirements, the approval processes for various products are complex, slow and costly for companies. For example, according to [Bob Masterson](#), obtaining an approval in Canada takes an average of 249 days, which is double the Organisation for Economic Co-operation and Development (OECD) average and triple the average in the United States. [Brian Lewis](#) noted that these requirements are particularly onerous for small businesses, which have limited human and financial resources.

[D]ue to the many regulatory requirements, the approval processes for various products are complex, slow and costly for companies.

[Corinne Pohlmann](#) said that understanding the various regulatory requirements is also an impediment to market access. [Brian Lewis](#) and [Diana Johnson](#), Vice-President of Regulatory Affairs for MEDEC said that the guidance documents prepared by the government could help companies understand new regulatory requirements, if they were developed sooner.³⁴ According to [Dave Carey](#), given the complexity of various requirements, companies need a clear path to market so they understand the regulatory requirements associated with their activities. He added that there can be a lack of transparency in the standards to follow and adopt.

Importance of Harmonizing Norms and Standards

Many witnesses pointed out that a good way to ease the regulatory burden and the administrative costs associated with compliance would be to harmonize the regulatory requirements between various governments, within and outside of Canada.³⁵ [Brian Lewis](#) added that not only requirements must be harmonized, but also their implementation, to ensure that “harmonization efforts ... [do] not introduce Canada-specific requirements”. This harmonization is critical, because while some Canadian

34 CHPC, [reference document](#), 14 February 2019.

35 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0845 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0955 (Ray Biln, General Manager, Silver Valley Farms Ltd.); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0950 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen’s Association); INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0920 (Michael MacGillivray, Owner, Kirkview Farms); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0910 (Jane Abballe, Owner, La Cultura Salumi Inc.).



standards can be useful, others can undermine the competitiveness of Canada and its companies.

The lack of harmonized regulations between governments in Canada creates trade barriers for Canadian companies, particularly those working in the agriculture and agri-food industry.³⁶ Some witnesses said that it is critical that the federal government eliminate regulatory differences between provinces.³⁷ According to [Ryan Greer](#), harmonizing regulations in Canada is especially important for small businesses, because they expand within the country as a precursor to doing business internationally. [He](#) added that, while “many of the decisions regarding these differences are within the purview of the provinces, [which] all have distinct interests, the federal government holds many carrots and sticks to help advance this work.”

[Ryan Greer](#) mentioned that the Canadian Free Trade Agreement (CFTA) is a step in the right direction to harmonize regulatory requirements in Canada, but it has a number of shortcomings. He said that the most important issue with the CFTA is its regulatory reconciliation mechanism. In [his](#) opinion, the CFTA is “a sort of promise of new processes and new ways to help reduce the burden,” but the federal government is not required to take immediate action. The CFTA exemptions are less of a concern, he believes, because they are publicly available. [Ryan Greer](#) said that, since the CFTA was reached, CCC members have not seen any significant results and do not believe that the CFTA will make a significant contribution to harmonizing regulations between provinces and territories.

[A] lack of harmonization between certain Canadian standards and their international trade partners affected their activities and growth opportunities.

Companies from each of the industries that appeared before the Committee confirmed that a lack of harmonization between certain Canadian standards and their international

36 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0955 (Ray Biln, General Manager, Silver Valley Farms Ltd.); INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0920 (Michael MacGillivray, Owner, Kirkview Farms); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0910 (Jane Abballe, Owner, La Cultura Salumi Inc.).

37 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0845 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0925 (Bob Masterson, President and Chief Executive Officer, Chemistry Industry Association of Canada).

trade partners affected their activities and growth opportunities.³⁸ [Brian Lewis](#) indicated that there are some Canada-specific standards, which affects the competitiveness of Canada and Canadian companies. In addition, [he](#) believes that, if Canada recognized some standards already recognized by a number of its trade partners, it would accelerate and simplify a number of processes, and would give Canadian companies better access to international markets.

Challenges and Potential Solutions

The Canadian market access issues raised before the Committee were particularly acute in the medical and pharmaceutical industries. In addition, the lack of regulatory harmonization is a major barrier to interprovincial trade for agriculture and agri-food businesses.

Medical and Pharmaceutical Industries

The many regulatory requirements in place in the medical and pharmaceutical industries to ensure Canadians' safety creates high costs and a heavy burden for business which have a detrimental effect on market access for many Canadian companies. Due to the regulatory requirements, some medical instruments and medications are not authorized or access to these products is delayed. According to [David Goodman](#), this issue affects Canadian patients, limiting their access to novel technologies.

[MEDEC](#) and [Minogue Medical Inc.](#) stated that the administrative burden and costs associated with granting medical technology licences is very cumbersome. Regulatory approval times (product certification stage) are slow and unpredictable, which is a disincentive for companies. In addition, according to [MEDEC](#), clinical trials for medical devices are very important, but they are a hurdle for companies at present; companies need to conduct these trials in other countries to ensure they are done in a timely manner. [Minogue Medical Inc.](#) confirmed that medical device suppliers have so much difficulty accessing the Canadian market that manufacturers go to the European and American markets well before the Canadian one. Because of Canada's regulatory environment, physicians must wait years to have access to instruments that are readily

38 INDU, [Evidence](#), 1st Session, 42nd Parliament, 5 February 2019, 0845 (Ryan Greer, Senior Director, Transportation and Infrastructure Policy, CCC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0850 (David Goodman, Chief Executive Officer, Pharmascience); INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0910 (Brian Lewis, President and Chief Executive Officer, MEDEC); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0945 (John Masswohl, Director, Government and International Relations, Canadian Cattlemen's Association); INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 1005 (Ray Biln, General Manager, Silver Valley Farms Ltd.).



available in other countries. To simplify and expedite the approval process, [Minogue Medical Inc.](#) believes that Canada should recognize foreign approvals, as the United States and European Union countries do.

[David Goodman](#), Chief Executive Officer of Pharmascience, said that pediatric formulations are a good example of how some Health Canada requirements prevent new products from being brought to market. For more than 30 years, pediatricians have complained that some medications are not available in child-friendly formulations. However, manufacturers have no incentive to bring these formulations to market in Canada, because they are not patented and the cost of bringing them to market is disproportionate. [David Goodman](#) and [Alain Boisvert](#), Head of Government Affairs and Market Access at Pharmascience, explained that:

The fee that was proposed for us to pay for just Health Canada approval was \$167,000. ... Sometimes—often—the whole of the Canadian market for these products can be much less than \$1 million in all provinces, all jurisdictions. Just your regulatory fee is \$170,000, and you also have to pay a fee for the Canadian Agency for Drugs and Technologies in Health, CADTH, to assess the cost-effectiveness of the drug, which is another \$70,000. INESSS [Institut national d'excellence en santé et en services sociaux] in Quebec has a fee of about \$40,000 to do the exact same thing. Just in fees, you're covering almost half of the market for the drug, and there is development work that has to be done by the company to formulate the product and get it through Health Canada. Adding in all of these costs becomes a real barrier.

These fees are similar to what it costs to bring a product to market in the United States, but the market there is 10 times larger. To address this problem, [David Goodman](#) suggested waiving the submission fees for pediatric formulations. He also believes that international harmonization for Health Canada standards is an important goal, as there are many Canada-only product standards.

In both the medical and the pharmaceutical industries, there is a lack of harmonization for compliance audits that can have a significant competitive impact on Canadian companies. [David Goodman](#) stated that, in the pharmaceutical industry, compliance audits are not the same for Canadian and foreign facilities, at the expense of Canadian companies. In the medical industry, [Minogue Medical Inc.](#) and [MEDEC](#) stated that Canada is the only country to have made it mandatory to adopt the Medical Device Single Audit Program (MDSAP). According to [Diana Johnson](#), the idea behind the MDSAP audit is a good one, because it means one performance audit would meet the quality standard for several jurisdictions. However, Canada is the only jurisdiction to have adopted it, which slows certification and leads suppliers to choose not to do business

with Canada.³⁹ [Brian Lewis](#) believes the issue is not the program itself, but the fact that its implementation is not harmonized with other jurisdictions.

Lastly, [Karen Proud](#) believes that regulations would be better and there would be fewer market barriers if regulatory bodies had an in-depth understanding of the sector in question. [She](#) added that consultations are important, but they are not sufficient on their own to develop an in-depth understanding of a sector's issues. [She](#) stated that understanding the industry in question should be a requirement for all regulators and suggested that the Canada School of Public Service could provide targeted training for regulatory officials. In addition, she believes it is essential for Treasury Board policies and guidelines to be respected "in the spirit they were put forward," rather than depending on the circumstance.

Agriculture and Agri-Food Industry

Regulatory requirements in the agriculture and agri-food industry must be harmonized, according to a number of witnesses. There is a lack of coordination between the practices of the various governments in Canada and its trade partners, which severely limits the growth opportunities for Canadian companies.

According to [Dave Carey](#), plant breeders face major obstacles to access the Canadian market. In his opinion, the regulatory system for plants with novel traits, unique to Canada, also needs to be improved so that companies can take advantage of innovation opportunities. Developing new plant varieties is a very long (up to 10 years) and expensive process. [He](#) explained that the pre-market submission process to bring these new plant varieties to market is long and expensive, as well as very complex. In fact, 20% of plant varieties regulated in Canada are not regulated anywhere else in the world. [He](#) mentioned that providing a clearer regulatory system would ensure that industry can continue to invest in new plant varieties and would also enhance competition and increase choice for consumers.

Agri-food businesses face a number of trade barriers in selling their products across Canada.⁴⁰ Provincial inspection services have jurisdictions and responsibilities alongside

39 INDU, [Evidence](#), 1st Session, 42nd Parliament, 7 February 2019, 0925 (Diana Johnson, Vice-President, Regulatory Affairs, MEDEC); Minogue Medical Inc., [Brief](#), 20 February 2019.

40 INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0915 (Paul Medeiros, Managing Director, North America, NSF International); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0855 (Kevin Freeborn, President, Food Safety Market, Freeborn and Associates Inc.).



those of federal agencies, which creates major interprovincial trade barriers.⁴¹ For example, a number of food production companies doing business in Ontario said that they could only sell their products within the province because their facilities were inspected by provincial officials, not federal ones.⁴² In addition, the certifications given, such as organic certification, are unique to each province and territory. Therefore, companies need to fill out separate applications for each jurisdiction.⁴³ A number of witnesses proposed harmonizing standards for regulatory bodies within Canada and abroad to reduce the burden on businesses and make it easier for them to expand.⁴⁴

Harmonizing some standards at the international level would also help agriculture businesses.⁴⁵ For example, according to [Ray Biln](#), it is important to harmonize the scientific data requirements for pesticide registration between Canada and countries with which it has reached a free trade agreement. [He](#) explained that having the same data requirements would reduce the time and cost for reviewing and deciding on various regulations, including ones on maximum residue limits (MRLs). According to some witnesses, the gap between Canadian MRL standards and their implementation and those in other countries create regulatory challenges and put Canadian companies at a competitive disadvantage.

Federal Government Initiatives

[Frances McRae](#) said that ISD is working to harmonize regulatory requirements between the provinces and territories. Currently, a company wanting to do business in another

41 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0955 (Ray Biln, General Manager, Silver Valley Farms Ltd.); INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0920 (Michael MacGillivray, Owner, Kirkview Farms); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0855 (Kevin Freeborn, President, Food Safety Market, Freeborn and Associates Inc.).

42 INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0935 (Michael MacGillivray, Owner, Kirkview Farms); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0910 (Jane Abballe, Owner, La Cultura Salumi Inc.).

43 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 1005 (Ray Biln, General Manager, Silver Valley Farms Ltd.), INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0930 (Michael MacGillivray, Owner, Kirkview Farms); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0855 (Kevin Freeborn, President, Food Safety Market, Freeborn and Associates Inc.).

44 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0955 (Ray Biln, General Manager, Silver Valley Farms Ltd.); INDU, [Evidence](#), 1st Session, 42nd Parliament, 21 February 2019, 0920 (Michael MacGillivray, Owner, Kirkview Farms); INDU, [Evidence](#), 1st Session, 42nd Parliament, 26 February 2019, 0910 (Jane Abballe, Owner, La Cultura Salumi Inc.).

45 INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 0955 (Ray Biln, General Manager, Silver Valley Farms Ltd.), INDU, [Evidence](#), 1st Session, 42nd Parliament, 19 February 2019, 1010 (Dave Carey, Executive Director, Canadian Seed Trade Association).

province must register separately with that province's registry. To reduce this burden, ISED is working with the provinces and territories to implement a multi-jurisdictional registry access system that would ensure information could be shared between registries.

According to [Matthew Smith](#), Director of Technical Barriers and Regulations at GAC, the Department is working to harmonize Canadian regulations with those of its international trade partners to reduce the barriers Canadian companies face in accessing international markets. [He](#) explained that GAC has a dedicated series of units working full time to manage various trade barriers, such as non-tariff barriers. Furthermore, [he](#) confirmed that the Trade Commissioner Service provides a number of services to help companies. For example, it can assess a business to determine whether it is ready to reach other markets.

[Matthew Smith](#) said that the most recent free trade agreements (the Canadian–United States–Mexico Agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and the Canada–European Union Comprehensive Economic Trade Agreement) have various provisions to make regulatory harmonization easier. Canada included provisions for good regulatory practices to encourage its trade partners to be rigorous in implementing their regulations. Furthermore, [he](#) explained that Canada has established rules to create a predictable framework in these agreements. Should Canada's trade partners implement regulations that could affect Canadian businesses, they must notify the Canadian government and the companies affected before the regulations are implemented and give Canadian companies the opportunity to participate in developing any new rules to reduce barriers.

Recommendations

The Committee recommends:

Recommendation 8

That the federal government collaborate with provincial and territorial governments to put in place consistent product certification standards across Canada to eliminate differences in regulatory requirements that affect trade in various industries, particularly the agri-food industry.



Recommendation 9

That the federal government consider ways to simplify and reduce the cost of the various product approval processes in Canada in order to eliminate barriers to bringing products to market.

Recommendation 10

That the federal government consider ways to eliminate barriers of entry for new health products when doing so would favour public health, for example by allowing drug manufacturers and importers to file multiple pharmaceutical formulations of the same drug under a single application, when appropriate.

Recommendation 11

That the federal government consider increasing the harmonization of regulatory standards and processes with those of its trade partners in order to ensure the safety and security of products while reducing Canadian market access barriers for businesses.

CONCLUSION

The Canadian regulatory framework is important to support businesses and ensure public health and safety. However, when regulations are duplicated or not harmonized, they can create an unfair burden for businesses. Indeed, there are hundreds of regulatory requirements from various regulatory bodies in Canada, most of which are uncoordinated. This burden can be particularly felt by small businesses, as they have fewer resources. The lack of harmonization can hinder market access for Canadian companies by slowing down some approval processes, increasing costs and creating barriers to trade within Canada and internationally. Ultimately, the regulatory burden can hinder competitiveness and innovation opportunities.

The federal government has already implemented various initiatives in recent years to reduce this burden. However, these initiatives will only have a substantial impact if they are accompanied by a change in culture among regulatory bodies. Currently, in Canada, regulation seems to focus on public health and safety, and does not appear to have other objectives such as innovation or competitiveness. Regulatory requirements must be aimed at stimulating and supporting innovation and economic growth as well as ensuring public health and safety.

APPENDIX A LIST OF WITNESSES

The following table lists the witnesses who appeared before the Committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the Committee’s [webpage for this study](#).

Organizations and Individuals	Date	Meeting
Treasury Board Secretariat Jeannine R. Ritchot, Executive Director Regulatory Policy and Cooperation Directorate, Regulatory Affairs Sector	2019/01/31	146
Canadian Chamber of Commerce Ryan Greer, Senior Director Transportation and Infrastructure Policy	2019/02/05	147
Canadian Federation of Independent Business Laura Jones, Executive Vice-President Corinne Pohlmann, Senior Vice-President National Affairs and Partnerships	2019/02/05	147
Chemistry Industry Association of Canada Bob Masterson, President and Chief Executive Officer	2019/02/07	148
MEDEC Brian Lewis, President and Chief Executive Officer Diana Johnson, Vice-President Regulatory Affairs	2019/02/07	148
Pharmascience David Goodman, Chief Executive Officer Alain Boisvert, Head of Government Affairs and Market Access	2019/02/07	148
Consumer Health Products Canada Karen Proud, President Adam Gibson, Vice-President Public Affairs	2019/02/07	148

Organizations and Individuals	Date	Meeting
Canadian Seed Trade Association Dave Carey, Executive Director	2019/02/19	149
Canadian Cattlemen's Association John Masswohl, Director Government and International Relations Brady Stadnicki, Policy Analyst	2019/02/19	149
Department of Industry Frances McRae, Assistant Deputy Minister Small Business and Marketplace Services Stephen Fertuck, Senior Director Portfolio and Intergovernmental Engagement Secretariat Darcy DeMarsico, Director Industry Sector, Economic Strategy Tables Bureau	2019/02/19	149
Department of Foreign Affairs, Trade and Development Matthew Smith, Director Technical Barriers and Regulations	2019/02/19	149
Silver Valley Farms Ltd. Ray Biln, General Manager	2019/02/19	149
Independent Contractors and Businesses Association of British Columbia Tim McEwan, Senior Vice-President Policy and Stakeholder Engagement	2019/02/21	150
Kirkview Farms Michael MacGillivray, Owner	2019/02/21	150
Moodys Gartner Tax Law Kim G.C. Moody, Director Canadian Tax Advisory	2019/02/21	150
NSF International Paul Medeiros, Managing Director North America	2019/02/21	150
Canadian Trucking Alliance Stephen Laskowski, President	2019/02/26	151

Organizations and Individuals	Date	Meeting
Freeborn and Associates Inc. Kevin Freeborn, President Food Safety Market	2019/02/26	151
La Cultura Salumi Inc. Jane Abballe, Owner	2019/02/26	151

APPENDIX B LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the Committee related to this report. For more information, please consult the Committee's [webpage for this study](#).

Canadian Camping and RV Council

Canadian Canola Growers Association

Dot Technology Corp.

Independent Contractors and Businesses Association of British Columbia

Minogue Medical Inc.

SeedMaster Manufacturing Inc.

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 146 to 155](#)) is tabled.

Respectfully submitted,

Dan Ruimy
Chair

