



A STRATEGY TO REDUCE PAPERWORK BURDEN FOR SMALL BUSINESSES IN CANADA

2005 PROGRESS REPORT ON THE PAPERWORK BURDEN REDUCTION INITIATIVE

SUBMITTED BY THE
ADVISORY COMMITTEE
ON PAPERWORK BURDEN REDUCTION

Canada 

This publication is available upon request in accessible formats. Contact:

Multimedia and Editorial Services Section
Communications and Marketing Branch
Industry Canada
Room 264D, West Tower
235 Queen Street
Ottawa ON K1A 0H5

Tel.: (613) 948-1554

Fax: (613) 947-7155

Email: multimedia.production@ic.gc.ca

For a print copy of this publication, please contact:

Publishing and Depository Services
Public Works and Government Services Canada
Ottawa ON K1A 0S5

Tel. (toll-free): 1 800 635-7943 (Canada and U.S.)

Tel. (local): (613) 941-5995

TTY: 1 800 465-7735

Fax (toll-free): 1 800 565-7757 (Canada and U.S.)

Fax (local): (613) 954-5779

Email: publications@pwgsc.gc.ca

This publication is also available electronically on the World Wide Web in HTML format at the following address:

www.reducingpaperburden.gc.ca

Permission to Reproduce

Except as otherwise specifically noted, the information in this publication may be reproduced, in part or in whole and by any means, without charge or further permission from Industry Canada, provided that due diligence is exercised in ensuring the accuracy of the information reproduced; that Industry Canada is identified as the source institution; and that the reproduction is not represented as an official version of the information reproduced, nor as having been made in affiliation with, or with the endorsement of, Industry Canada.

For permission to reproduce the information in this publication for commercial redistribution, please email:

copyright.droitdauteur@pwgsc.gc.ca

Cat. No. lu185-2/2005

ISBN 0-662-69529-1

54350B

Aussi offert en français sous le titre *Stratégie d'allègement du fardeau de la paperasserie pour les petites entreprises du Canada – Rapport d'étape 2005 sur l'Initiative d'allègement du fardeau de la paperasserie.*



March 6, 2006

The Honourable Maxime Bernier, P.C., M.P.
Minister of Industry
5th Floor, West Tower
235 Queen Street
Ottawa, Ontario
K1A 0H5

Dear Minister Bernier:

The Advisory Committee on Paperwork Burden Reduction (ACPBR) is pleased to present its first Annual Progress Report covering the 10-month period beginning with the ACPBR's first meeting in March 2005.

The report lays the foundation for the Paperwork Burden Reduction Initiative (PBRI) announced in the Government of Canada's 2004 Budget. The ACPBR recognizes that reducing paperwork burden is a complex process and requires a long-term commitment. The research we have undertaken and the recommendations we are putting forward will, we believe, guide Canada toward significant future success in becoming a world leader in effective, efficient and accountable administration of regulatory compliance.

The report is the result of a team effort and would not have been possible without the co-operation of and assistance from various federal and provincial departments and agencies. With our diverse membership from both the public and private sectors, including small business entrepreneurs, and officials from business associations and federal and provincial government departments, we have developed a comprehensive understanding of the challenges involved in substantially reducing paperwork burden.

The recommendations call for a long-term commitment to reducing paperwork burden and strong collaborative efforts between the public and private sectors. The proposed actions are rooted in our view that small business is crucial to Canada's economic prosperity and that, by transforming how governments interact with businesses, they can realize significant economic gains. We encourage you and your Cabinet colleagues to maintain the momentum needed to reduce the paperwork burden for the benefit of small businesses in Canada.

Sincerely,

The Advisory Committee on Paperwork Burden Reduction

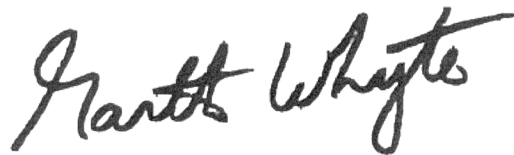
MEMBERS

Co-Chairs



David Fransen

Assistant Deputy Minister
Policy Sector
Industry Canada



Garth Whyte

Executive Vice-President
Canadian Federation of Independent
Business

Members*



Robert (Bob) Armstrong, CITP

Senior Vice-President
Government Affairs
PBB Global Logistics



Jean-Claude Cloutier

Director
Strategic Mandates and Paper Burden
Reduction for the Ministère du Conseil
exécutif in Quebec



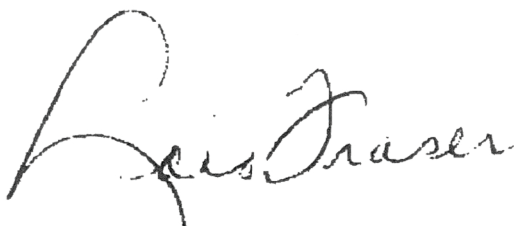
Patrick Culhane, CMA

President
The Canadian Payroll Association



Robert Dunlop

General Director
Economic Development and Corporate
Finance
Finance Canada



Lois Fraser

Assistant Deputy Minister
Service BC
Ministry of Management Services
Government of British Columbia



Glen Gryzko, CA

Partner
Gryzko Harper Chartered Accountants



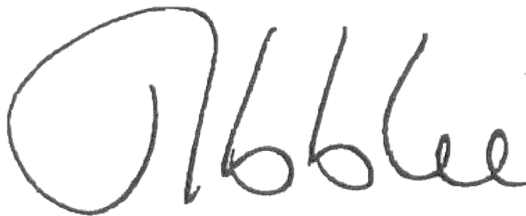
Helen McDonald

Assistant Secretary
Economic Sector
Treasury Board of Canada Secretariat



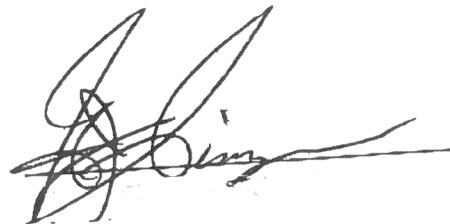
Jayson Myers

Senior Vice-President and Chief Economist
Canadian Manufacturers & Exporters



William (Bill) Robblee

President
Greystone Energy Systems Inc.



Greg Simpson

President
Simpson Seeds Inc.



Barbara J. Slater

Assistant Commissioner
Assessment and Client Services Branch
Canada Revenue Agency

* Mr. Charles Nixon, Assistant Deputy Minister, Employment Insurance Operations, Human Resources and Skills Development Canada (HRSDC) represented the department at the first two meetings of the ACPBR.

TABLE OF CONTENTS

Introduction	1
Challenges	3
Opportunities	6
Progress to Build Upon	8
Recommendations for Further Progress	11
Leadership, Coordination and Co-operation	12
Measurement and Reporting	13
Reduction and Simplification	14
Annex A: Mandate of the ACPBR	17
Annex B: Summary of Selected Provincial Red-Tape Reduction Initiatives	20
Annex C: Regulating Departments and Agencies	24
Endnotes	25

INTRODUCTION

In the 21st century economy, the countries that will be world leaders will be those that maintain an environment conducive to the establishment and growth of innovative business enterprises. The success of these enterprises is shaped not only by markets, but also by regulatory and administrative rules governments use. Leading economies will be those that recognize that, while regulation is an important tool to achieve economic, environmental and social policy objectives, it can impede innovation and create unnecessary barriers to trade, investment and economic efficiency if not conceived or administered wisely.

DEFINING PAPERWORK BURDEN

"Paperwork burden" is the time and money spent by business owners, managers, staff or external contractors and experts to understand and comply with information obligations or administrative requirements that stem from government regulations. From a firm's perspective, paperwork involves activities such as processing and storing data, completing forms and reporting information to various orders of government. From governments' perspective, it involves collecting information that allows them to monitor businesses' compliance with these orders.

"Burden" refers to administrative costs that are above and beyond the daily operational costs of running a business. It includes the incremental costs borne by businesses to support regulatory objectives.

Paperwork burden is often referred to as red tape.

Regulation imposes two types of costs on business — costs incurred to meet regulatory requirements and costs resulting from the information obligations imposed on businesses to report on their compliance with these requirements. (Information obligations, or administrative requirements, are the passages in the law or regulation

that require a business to submit information to government or third parties.) For most small businesses, it is the latter — the paperwork involved in filling out forms, seeking permissions, reporting regularly and maintaining records — that represents the greater burden.

The Paperwork Burden Reduction Initiative (PBRI), announced in Budget 2004, provides a basis for addressing paperwork burden that will deliver lasting benefits to small businesses and make it easier for them to do business in Canada and around the world. The Advisory Committee on Paperwork Burden Reduction (ACPBR) was created to oversee the PBRI and, in particular, to find practical and achievable ideas for reducing burden on small businesses, and to measure and benchmark paperwork burden so that progress can be tracked regularly in the future.

The committee has met three times since it was launched on March 1, 2005. During our first meeting, we explored the challenges and opportunities facing the committee, and developed a roadmap for the first year of our mandate. Recognizing that a clear vision is crucial to success, the committee agreed on the following vision statement, which affirms the long-term goal of reducing paperwork burden is to:

Improve economic productivity by making Canada a world leader in effective, efficient and accountable administration of regulatory compliance, through the collaborative effort of government and business.

The committee also agreed to principles that should guide how government devises and enforces compliance with regulatory rules. These principles and the committee's overall mandate are found in Annex A.

Subsequently, we examined past efforts at reducing paperwork burden in Canada, looked at best practices from Canadian jurisdictions and other countries, considered the views of the business community and developed instruments to gather more quantitative data. This report presents our findings and recommendations to date. It should be considered as the foundation for progress to follow. It is our belief that reducing paperwork burden will be a highly complex undertaking, involving multiple players and new processes to unite them in common effort. The required cultural, institutional and other changes will only take hold gradually. The analysis to be undertaken and the baseline data to be established in the next year, along with the commitment to leadership, coordination and co-operation we are seeking, should serve to build momentum for significant progress in reducing the paperwork burden for small businesses in the future.

This report describes the challenges of addressing paperwork burden, the benefits to be gained through a commitment to change and recommendations for developing a concrete strategy for reducing the paperwork burden imposed on small businesses in Canada. The impact of implementing this strategy would be significant given that there are more than two million small and medium-sized enterprises (SMEs) in Canada, all of which would benefit from reducing paperwork burden (Figure 1 and 2). (Industry Canada defines a small business as having fewer than 100 employees. Businesses with between 100 and 499 employees are considered medium-sized. Large businesses are classified as those with 500 or more employees.)

Figure 1
Distribution of Businesses by Number of Employees, 2004

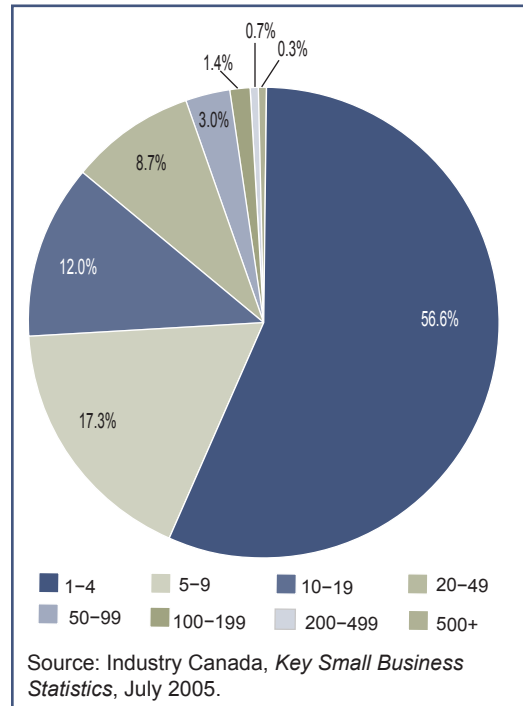
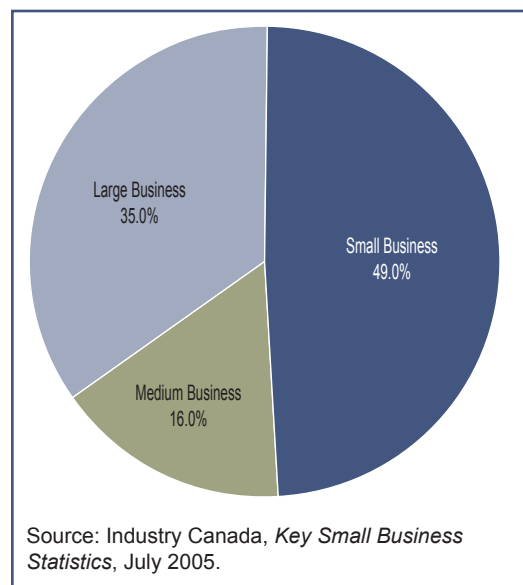


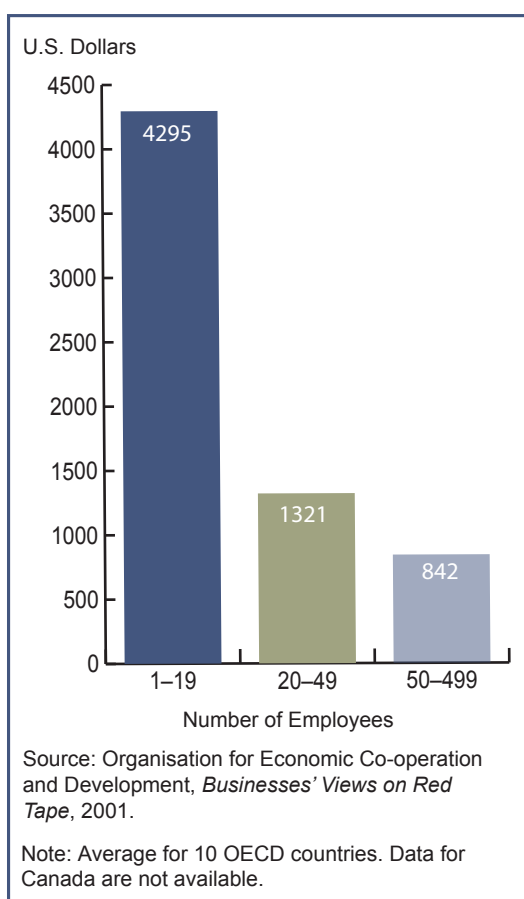
Figure 2
Private Sector Employment by Size, 2004



CHALLENGES

Governments use regulation in combination with other instruments, such as taxation, program delivery and services, to achieve important public policy objectives.¹ Regulations can benefit businesses by creating an environment in which commercial transactions take place in predictable ways, consistent with the rule of law. From the perspective of small businesses, however, the burdens imposed by processes involved in complying with government regulations often outweigh the benefits.

Figure 3
Annual Administrative Costs per Employee by Size of Business



The burdens associated with government paperwork divert scarce resources away from income-producing activities, such as product innovation and marketing, toward unproductive activities, such as collecting data, completing forms and reporting information. And these demands are often made with little sensitivity to the business cycle or other demands on an entrepreneur's time. A balance must be struck between the benefits of governing behaviour, through various rules, standards, guidelines and codes, and the cost to businesses in complying with these requirements.

In addition, paperwork imposes disproportionate costs on small businesses. A 2001 study by the Organisation for Economic Co-operation and Development (OECD) demonstrates the higher costs of paperwork per employee for smaller companies. As seen in Figure 3, the costs are five times higher for businesses employing fewer than 20 employees than for those employing 50 or more employees.

"Just as the private sector has had to innovate continually to provide goods and services tailor-made for individual consumer groups, so must government tailor its activities to respond to the needs of the clients it serves. As the federal government adjusts its roles in response to new realities, the Public Service itself must change. This means, in part, building a Public Service culture that is more sensitive to the needs of small business."

President of the Treasury Board,
Reducing Paper Burden for Small Business: Making It Permanent, October 1997.

In the past, governments in Canada have recognized the negative effects of “red tape” and have introduced various measures to ensure that regulators consider the impact of new or revised regulations on business. Tools such as the Business Impact Test and Regulatory Impact Analysis Statements have been made part of the regulatory approval process to lessen the burden on small businesses. However, these tools are only effective in measuring the impact of a specific regulation or set of requirements — they do not take into consideration the accumulated effects of total paperwork burden. Although a new requirement may have minimal impact by itself, its effect must be considered in relation to the multitude of other requirements imposed by various government departments and agencies.

AN INITIAL ESTIMATE OF PAPERWORK AND REGULATORY COSTS

The Canadian Federation of Independent Business (CFIB) has recently attempted to quantify the cost to Canadian businesses of complying with regulations. Based on a survey of over 5500 of its members, the CFIB estimates the total annual cost to be \$33 billion.

Small businesses confirm that no particular regulation or set of regulations imposes a disproportionate share of the overall burden. Rather, it is the cumulative impact of complying with a multitude of requirements that matters. Because it is difficult to target priority areas for reform, broad-based, systemic approaches will be the most effective in reducing paperwork burden.

In Canada, doing business means dealing with the requirements imposed by three government jurisdictions — federal, provincial/territorial and municipal. In 2004, a survey of the business community found

that 83 percent of business interactions with government were based on compliance and that more than 50 percent of these interactions involved multiple levels of government.² Coordinating efforts to reduce paperwork burden across governments is thus crucial for progress: it requires a shared recognition of the nature of the problem and agreement to work in an integrated fashion to effect change over the long term.

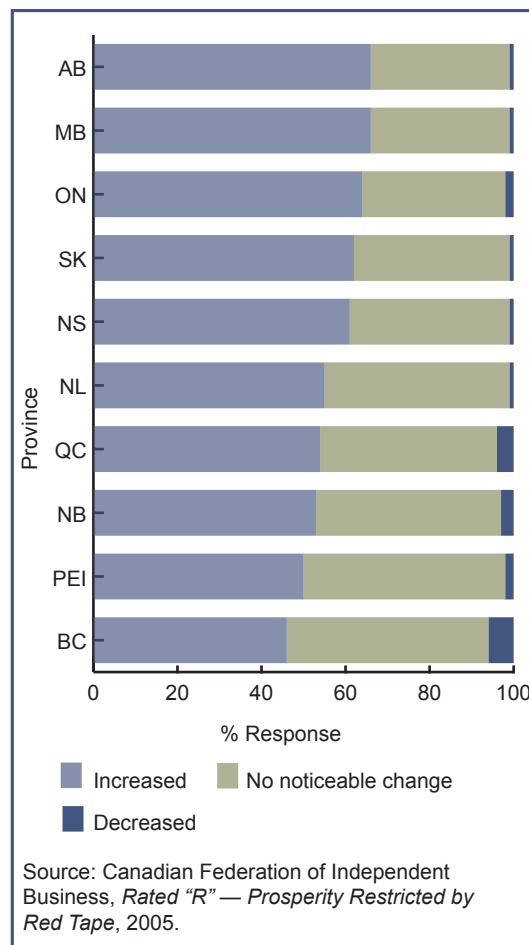
Developing an appropriate policy response is further complicated by the lack of recent, relevant data, both qualitative and quantitative, of which there are little in Canada.

The Canadian Federation of Independent Business (CFIB) has made notable attempts to collect data on the cost of regulatory and paperwork burden. In its 2005 member opinion survey, 65 percent of respondents identified government regulations and paperwork burden as one of their greatest concerns, second only to tax burden. In a follow-up survey by the CFIB in the summer of 2005, small businesses identified the Goods and Services Tax (GST), the Harmonized Sales Tax (HST), payroll and income taxes, the Record of Employment and Statistics Canada surveys as among the most burdensome federal obligations. At the provincial level, respondents identified worker's compensation, the Provincial Sales Tax (PST), the HST, employment standards and business registration as most burdensome. At the municipal level, property tax and building or renovation permits were cited as main concerns. The survey also measured the cost to all businesses in Canada of complying with regulations, estimated at \$33 billion.³

Despite efforts by governments across Canada to move toward a more effective regulatory system, the perception is that

the situation is worsening. According to the CFIB's survey, the percentage of respondents indicating that the regulatory burden has increased over the past three years ranges from 46 percent in British Columbia to 66 percent in Alberta (Figure 4).

Figure 4
CFIB Member Survey on Paperwork and Regulatory Costs



While measuring the cost of complying with information obligations is challenging, there is a clear policy imperative to better quantify the impact of reporting on compliance with regulations on business, particularly small businesses. What gets measured gets addressed. Cross-government measurements, reported regularly, would enable regulatory departments and agencies to better analyze and measure the impact of paperwork burden on small businesses, develop initiatives to reduce the impact and track progress over time. Moreover, measuring the impact would make governments more accountable to business for achieving progress in reducing paperwork burden.

We recognize the importance of building sound measurement tools and endorse the Statistics Canada *Survey of Regulatory Compliance Costs*. The survey was distributed to more than 30 000 small businesses in the fall of 2005, and preliminary results are expected in the summer of 2006. We plan to report on the findings in our second annual progress report in 2006.



OPPORTUNITIES

International experience indicates that success can be achieved and that benefits from reducing paperwork burden can be significant. Evidence from Organisation for Economic Co-operation and Development (OECD) countries, for example, demonstrates that reforms of information obligations can be effective steps to boost economic efficiency and innovation, enhance economy-wide flexibility and potential growth, and increase consumer choice and welfare.⁴

A World Bank study in 2005 concluded that, in Sweden, the United Kingdom, Norway, Belgium and the Netherlands, from 8 to 11 percent of total government spending was used to administer business regulations. This study estimated that a reduction of 15 percent in red tape would result in a 1.2 to 1.8 percent reduction in total government expenditures in these countries.⁵

A coordinated effort to reduce paperwork burden has been shown to improve regulatory efficiency and reduce costs to governments. Coordination across departments and agencies is needed to address the horizontal nature of the problems associated with paperwork burden. It requires more communication across government jurisdictions through new and established channels to share information, reduce overlap and duplication, and harmonize requirements. In some countries, these channels of communication already exist through well-designed institutional frameworks, but they are not currently in place in Canada. The development of such frameworks has proven to be successful when strongly linked with strong leadership from within government and political support.

Furthermore, a 2003 OECD study of international best practices for reducing red tape found the success of external advisory groups and the degree to which their recommendations are confirmed is heavily dependent on the strong leadership from within government and political support.⁶

Businesses want information, systems and services associated with regulatory compliance built around their needs, not the needs of governments. They favour a “whole of government” approach, through which the entire range of regulations and rules with which they must comply are known, and through which transactions can occur seamlessly, regardless of which department, agency or order of government

INTERNATIONAL BEST PRACTICES

In **Belgium**, an Agency for Administrative Simplification was created by law in 1997, under the office of the Prime Minister, to promote entrepreneurship by measuring and reducing paperwork burden. A network of officers from various ministries support the agency in coordinating simplification projects in the public service and horizontal e-government projects for businesses. The agency reports on simplification proposals to a Ministerial Task Force chaired by the Prime Minister.

In 2003, each government department in the **Netherlands** was required to present plans to Parliament to cut the overall administrative burden for business by 25 percent within four years. The Netherlands Bureau for Economic Policy Analysis calculated that achieving this reduction target would result in growth of the Dutch gross domestic product by 1.5 percent, and growth in labour productivity by 1.7 percent.

is responsible for the requirement. Businesses want governments to see them as customers in a two-way relationship, in which both parties add value to one another's organization and activities.

Current efforts at regulatory reform are laudable, however, more attention must be placed on reducing excessive paperwork burden on businesses. There is a tendency to work in "stovepipes," with little regard to cumulative impacts. To make significant progress, Canada needs to move from individual, isolated efforts to a coordinated and integrated approach that will truly transform the nature of the interaction between business and government.

In sum, Canada must respond to the challenge of reducing paperwork burden by transforming the nature of its regulatory interactions and relationships. Dealing with government is time consuming and increasingly complex. We must reduce the complexity of regulatory requirements, provide support services across multiple jurisdictions and programs, reduce overlap and duplications, and harmonize regulatory requirements to the fullest extent possible. Reducing the time businesses spend on complying with information obligations will lead to enhanced productivity and, ultimately, greater prosperity for Canada.



PROGRESS TO BUILD UPON

Previous efforts to reduce paperwork burden in Canada have stressed the need for ongoing attention to coordinated efforts, for cultural change and for governments to continually question their information obligations.⁷ There has been some notable progress, particularly in the provision of a “one-government” interface for business.

The Government On-Line (GOL) initiative has enhanced the delivery of the most commonly used federal government services by making them available online. The uptake of these services, the demonstrated satisfaction of users and Canada’s acknowledged leadership in e-government have validated the government’s approach to online service delivery. Beyond these achievements, GOL has laid the foundations for service transformation by segmenting the services provided to key client groups and developing a common service platform for all federal departments and agencies. Taking advantage of this asset will be key to reducing paperwork burden.

The Government On-Line initiative allows businesses to report, over the Internet, information related to:

- ✓ registering and incorporating a business;
- ✓ filing corporate income tax returns and T4 returns;
- ✓ filing GST/HST returns and remitting payments;
- ✓ filing Record of Employment data; and
- ✓ submitting trademark and copyright applications.

Canada Business was launched to help businesses navigate the complex array of mandates, regulatory roles and service delivery options, spanning many organizations and orders of government. Canada Business fulfills a GOL commitment to align the former Business Gateway with the Canada Business Service Centres. Presenting the government-to-business relationship in a simple, intuitive manner is designed to increase self-service, reduce the complexity of government, enhance compliance with regulatory requirements and reduce the time businesses spend to find relevant information.

Furthermore, individual departments, such as Human Resources and Skills Development Canada (HRSDC) and the Canada Revenue Agency (CRA), have made progress in streamlining their services to enhance interaction with clients and reduce the cost of complying with regulations. For example, businesses have identified the Record of Employment (ROE) as a major irritant. HRSDC has responded by introducing new rules to reduce the burden and ease reporting through the use of electronic means of transmitting ROEs. Six percent of ROEs are now transmitted electronically through “ROE Web” and an additional 15 percent through “Laser ROE.” Efforts are now focused on increasing uptake of these services and on working with stakeholders to enhance the application and improve functionality.

A significant example from the CRA is the introduction of the Business Number (BN). Corporate income tax, GST, payroll deductions and import/export accounts are now streamlined under one client BN. The result is faster, simpler registration and reduced duplication. Some provinces are currently working with the CRA to expand the use of the BN and to introduce a “single-window” federal–provincial service.

Website content and architecture redesigns are other CRA initiatives undertaken to simplify the task of understanding and complying with tax legislation. The CRA website has been redesigned with an intuitive interface that helps users navigate through relevant tax information, and provides access to forms and publications in electronic formats.

BizPaL, to be offered through Canada Business, is another innovative solution that demonstrates the value of cross-governmental coordination in Canada. Still in its pilot phase, BizPaL is a web-based service that allows small businesses to generate a sequential, customized list of the permits and licences they require from the three orders of government for the purpose of conducting certain business activities or starting a business in Canada. Underlying BizPaL’s functionality is a comprehensive service- and process-mapping that supports the development of a shared information service and helps to identify opportunities to reduce overlap, duplication and redundancy.

The Regulations Cluster is another feature offered through the Canada Business website. This web portal is intended to assist businesses to identify and understand the obligations with which they must comply. It provides businesses with a client-centred, one-stop site for plain-language summaries of selected federal regulations, with options

for searching the regulations by keyword, topic, sector or department/agency.

The most recent and significant example of service delivery transformation, albeit one aimed at individual Canadians, is Service Canada, a new agency launched in September 2005. The goal of the agency is to provide better, one-stop service to more Canadians in more communities, delivered with the right service attitude. Over time, it will bring federal services and benefits together, making it easier for Canadians to get more of the help they need in one place, whether by phone, Internet or in person.

In the area of regulatory reform, the Smart Regulation initiative was launched in 2002, as Canada’s regulatory renewal commitment to make regulations relevant to current socio-economic conditions. The initiative is aimed at building a regulatory system that is more effective in safeguarding the health and safety of all Canadians, ensuring a clean and sustainable environment, and creating the conditions for an innovative and competitive economy. It involves a series of projects focused on strengthening the policies, processes, tools and communities needed to sustain strong regulatory performance and to facilitate continuous improvement.⁸ Smart Regulation has significantly increased the profile of regulatory reform in general, and the need to address the burden associated with regulatory compliance in particular. It has also increased expectations that real progress is being made to reduce regulatory burden.⁹

"Smart regulation will change how we go about regulation, how we establish priorities, coordinate across jurisdictions and measure performance.... Smart regulation will take a holistic approach to policy and ensure that compliance is easier, particularly for our smaller businesses. And by making the overall process more coherent, we will also enhance transparency so that Canadians will know who is responsible for what and where to turn for answers."

"Government of Canada's Implementation Plan for Smart Regulation,"
March 24, 2005
Speech by the
President of the Treasury Board

Certain provincial governments have also been actively addressing the regulatory burden on businesses. Examples of these efforts are outlined in Annex B.

The above examples are all positive and concrete demonstrations of governments' efforts to reduce paperwork burden. The ACPBR applauds the many organizations, in all regions of the country, that are committed to modernizing work methods and service provision, and to developing partnerships, which will result in less time and paperwork for clients, including businesses. The committee also recognizes that some government departments, in seeking continuous improvement, have appointed champions to promote further efforts to reduce paperwork burden.



RECOMMENDATIONS FOR FURTHER PROGRESS

The rest of this report turns to what more can and needs to be done. For instance, it is not sufficient that only some governments, departments and agencies have acted to reduce paperwork burden on businesses. An overarching, multi-jurisdictional commitment to transforming interactions with business is lacking, as is the culture shift and framework under which to achieve administrative reform and simplification. In particular, the committee noted the absence of regular, comprehensive review and reporting of paperwork burden by governments.

First and foremost, Canada requires a clear national vision for reducing paperwork burden, with strong leadership and a crosscutting approach. A framework to drive further transformation of government interactions with business must be captured in that vision, along with incentives for improving coordination and co-operation among regulators; for rationalizing and simplifying administrative requirements; and for developing collaboratively the measurement tools required to assess progress on reducing the paperwork burden small businesses face.

In short, Canada needs to change the way government administers regulations across departments and levels of government.

The committee therefore recommends that action be taken in three areas:

- *Leadership, Coordination and Co-operation* — allowing government and businesses to set goals, share ideas and coordinate joint initiatives;
- *Measurement and Reporting* — developing objective measures of the goals to be achieved, tabling action plans and reporting annually on progress toward these goals; and
- *Reduction and Simplification* — working co-operatively to implement strategies for achieving outcomes.

The following section describes the components of the proposed approach and provides recommendations to move each component forward.

LEADERSHIP, COORDINATION AND CO-OPERATION

The ACPBR believes strong leadership from ministers and senior government officials and a long-term commitment to a shared vision are essential for achieving objectives to reduce paperwork burden.

Recommendation 1: **Make a long-term commitment to a shared vision**

The ACPBR recommends the following vision for reducing paperwork burden in Canada:

Improve economic productivity by making Canada a world leader in effective, efficient and accountable administration of regulatory compliance, through the collaborative effort of government and business.

Recommendation 2: **Appoint champions**

The ACPBR calls on ministers in regulating departments and agencies* to champion paperwork burden reduction and appoint senior officials to implement the Paperwork Burden Reduction Initiative (PBRI) through joint and independent initiatives. These champions should also engage private sector representatives in burden reduction efforts.

Recommendation 3: **Increase co-operation and coordination throughout the federal government and with other orders of government in determining information obligations associated with regulation, and the manner in which it is collected**

The ACPBR believes the government should transform the way it deals with business in order to lessen the paperwork burden. This means adopting a client-centred approach to compliance that cuts across departments and agencies, and implementing a government service-to-business framework that will facilitate increased communication, collaboration and shared accountability for results. In particular, improved coordination and co-operation across government, as demonstrated through initiatives such as the Business Number, BizPaL and Service Canada, are recommended.



* See Annex C: Regulating Departments and Agencies.

MEASUREMENT AND REPORTING

The ACPBR strongly believes that the establishment of targets will drive progress. Departmental, as well as overall government, targets should be set for reducing paperwork burden and benchmarks should be established for tracking progress toward these targets.

Recommendation 4: Measure paperwork burden

The *Survey of Regulatory Compliance Costs* will provide much-needed metrics on the cost of complying with key regulations. Additional measurement approaches or metrics may assist with uncovering other burdensome information obligations, beyond those employed in the Survey. The ACPBR recommends that government investigate possible enhancements to the Survey and utilize additional measurement tools to assess the impact of paperwork burden on small businesses and to track progress in reducing it.

To the greatest extent possible, measurement tools should objectively quantify the existing paperwork burden on businesses and set a baseline from which to track progress over time. Results from the measurement tools should be transparent and made available to the public.

Recommendation 5: Set an overall reduction target

An aggregate target of 20 percent for burden reduction should be established, to be achieved within a specified time frame. The Committee considers that this is a reasonable, achievable target in view of existing estimates of the costs of paperwork burden, including the CFIB estimate of \$33 billion. Progress in achieving the overall target should be tracked using a credible measurement tool, such as the Survey, and be based on individual reduction strategies developed by departments and agencies.

Recommendation 6: Set departmental reduction targets

Each government department and agency should work toward the establishment of individual targets in order to contribute to the aggregate 20-percent reduction in paperwork burden and develop annual plans for achieving these targets. The targets should be based on common, credible metrics for quantifying paperwork burden. Starting in 2007, reporting of progress toward these targets should be included in publicly available documents, such as annual departmental performance reports (DPRs), and posted on departmental websites. The ACPBR intends to include departmental targets and progress made in its own annual progress reports.

The ACPBR further recommends that government impose a moratorium on additional paperwork burden until departmental reduction plans are tabled.

REDUCTION AND SIMPLIFICATION

The ACPBR calls on government to introduce a variety of other measures to lessen paperwork burden on businesses.

Recommendation 7: **Promote paperwork burden reduction and restrict further growth in paperwork burden through the Smart Regulation initiative**

The ACPBR recognizes the important work being undertaken under the Smart Regulation initiative. It supports the Government of Canada's efforts to review and update Canada's regulatory policy and recommends prompt action in the following areas:

- redrafting regulatory requirements in "plain language";
- reducing the number of information obligations contained in regulations;*
- consolidating or combining information obligations;
- varying information obligations for small businesses to prevent disproportionate impacts on small businesses (e.g. filing requirements associated with the Goods and Services Tax vary depending on the level of income generated by businesses); and
- using common definitions for business terms across federal legislation.

The ACPBR also endorses the commitment proposed under the Smart Regulation initiative to strengthen federal regulatory governance by clarifying to Canadians how government regulates and by outlining clear responsibilities for departments

and agencies at all stages of regulatory management. With regard to reducing paperwork burden, the ACPBR recommends that departments and agencies be responsible for:

- justifying the need for information obligations;
- weighing the benefits of the information obligation against the costs they impose on business and government; and
- determining the relevance, success and cost-effectiveness of existing programs that support businesses in complying with information obligations.

Furthermore, the ACPBR recommends that, when introducing new information obligations, government consider:

- carrying out a cost/benefit analysis to understand how the information obligations affect businesses;
- replacing/removing one information obligation requirement each time a new one is introduced;
- wording information obligations and related regulations in plain language;
- consulting with interested parties during the development of information obligations; and
- establishing a time period under which government must respond to information submitted by businesses in accordance with information obligations imposed on them.

*The term *regulations* is used broadly, to include all legal instruments used by government to impose obligations or constraints on private sector members (e.g. laws, acts, executive orders, Orders in Council, other departmental regulations).

Recommendation 8: **Creating a collective account of information obligations**

The ACPBR recommends that consideration be given to undertaking a collective account of all the *information obligations* imposed on small businesses stemming from regulations and acts. This reporting should comprise an inventory of *information obligations*, not a count of the existing body of regulations per se, and provide a foundation for:

- assessing the obligations in order to ensure they meet intended policy objectives in an effective and sustainable manner; and
- developing further metrics for translating obligations into burdens imposed on small business.

Recommendation 9: **Ease transactions through service-to-business offerings**

The ACPBR recommends government continue to launch concrete initiatives to ease the transactions businesses must undertake to comply with information obligations. Client-focused services should be further developed, employing techniques such as:

- one-stop access points (physical and electronic) to obtain information on regulatory requirements and changes;
- time limits for administrative decision making by government (e.g. service standards for government interactions with business);

- information and communication technologies (ICT)-driven mechanisms (e.g. web-based portals, databases and applications) for regulatory information and transactions; and
- adopting practices and mechanisms that facilitate the exchange and re-use of information reported by businesses across government.

Recommendation 10: **Identify reduction proposals through consultation**

The ACPBR recommends that government consult with the private sector on the design and implementation of programs relating to the above recommendations. This could be done by individual departments or under the auspices of the Paperwork Burden Reduction Initiative (PBRI).



ANNEX A: MANDATE OF THE ACPBR

The Advisory Committee on Paperwork Burden Reduction (ACPBR) is co-chaired by Industry Canada's Assistant Deputy Minister (ADM) Policy and a senior executive representing the Canadian Federation of Independent Business (CFIB). It consists of 14 members, representing both the public and private sectors, including small business managers, entrepreneurs, officials from business associations and government departments, and policy researchers involved in the study of small business. For more information on the ACPBR and its members, visit www.reducingpaperburden.gc.ca.

The ACPBR was formed as a result of the Government of Canada's Budget 2004 commitment to create a new public-private working group that will strive to make measurable reductions in the paperwork burden small businesses face. Consistent with this commitment, the ACPBR has been mandated to:

- find practical and achievable ideas for early implementation;
- develop a measurement of the paperwork burden imposed on small and medium-sized enterprises (SMEs);
- measure and regularly track progress on burden reduction; and
- report results to the appropriate parliamentary committees.

OUR MISSION IS:

- To help government take actions that will improve regulatory efficiency, that is, achieve regulatory objectives at a lower administrative cost to businesses.
- To advise government on decisions that will limit and/or reduce the disproportionate paperwork burden facing small businesses, and its regressive effect on entrepreneurship and the development of small firms.
- To improve the base of knowledge of the impact of regulatory burden on business performance and economic growth, and reinforce the priority assigned by governments to this issue, by taking into consideration views and representations from a range of public and private sector stakeholders.

The ACPBR relies on core principles, established and agreed upon by each of us, to guide our work. These principles ensure we challenge the private and public sector to:

Adopt a business perspective.

See administrative requirements from the standpoint of those needing to comply with them. This means rethinking whether new processes and delivery mechanisms are actually accomplishing burden reduction. A key objective must be to streamline, simplify and ease the overall cost of compliance for businesses.

Take a holistic perspective. It is the cumulative impact of governmental paperwork that matters. Thus, greater collaboration and co-operation between government departments and agencies — federal, provincial and municipal — is required in efforts aimed at harmonizing and rationalizing regulatory approaches and the further development of “one stop” business resources for regulatory approvals and reporting.

Identify benefits for business and government. Demonstrating that alleviating the burden on business also benefits government and the Canadian economy.

Bring an objective professional perspective. While there are a multitude of personal experiences and frustrations relating to paperwork burden, members will focus their efforts on initiatives that can have a positive impact on the broadest range of small businesses. Advice and recommendations will be impartial and based on objective and informed discussion.

Rely on markets. Market-based approaches can provide flexibility in how compliance with regulations can be met and demonstrated, and can be less onerous than prescriptive rules. For example, companies within a particular industry could enter into agreements to meet regulatory requirements in new, innovative ways that meet the goals of regulation, possibly through a third-party agent. These types of agreements should be encouraged.

Explore IT solutions. Administrative simplification and integration across government is increasingly driven by applications of information technology (IT). IT solutions not only enable burden reduction in targeted areas, they also make visible administrative rules and requirements across multiple jurisdictions and areas of regulatory endeavour, and therefore point the way toward needed harmonization and rationalization.

Establish performance measures. The best way to make government accountable for the cumulative impact of business compliance regulations is to identify clear indicators of success and to report regularly on progress toward these objectives. Results need to be reported and publicized widely.

Think long-term. It has taken many years to build up the body of business regulations and compliance rules that exist in Canada today. A strong, sustained effort over time is needed to lessen the economic impact of these rules and to develop a comprehensive, integrated approach to compliance that is consistent with the ACPBR vision for the future.

ACPBR's Key Activities

The ACPBR's core activities focus on:

- Identifying and evaluating practical ways of reducing paperwork burden that could be implemented in the near future. These could include practices such as regulatory flexibility (i.e. changing how regulatory compliance support services are delivered), regulatory tiering (i.e. varying regulatory requirements according to firm size) and other broad-based approaches aimed at easing compliance and reducing paperwork burden for all businesses.
- Reviewing and endorsing the *Survey of Regulatory Compliance Costs*, which will provide a benchmark measurement of the cost of compliance from a firm's point of view and a methodology for measuring progress on burden reduction in the future.
- Examining the potential for further reducing paperwork burden via electronic-based service delivery and other service transformation initiatives.
- Gathering facts and receiving information from stakeholder groups, such as industry associations, small business advisors and advisory committees, entrepreneurs, government departments and agencies, nongovernmental organizations and academia.
- Preparing annual reports for the Minister of Industry for further tabling with parliamentary committees to inform parliamentarians on progress made and on opportunities to do more, as well as to give them the opportunity to provide feedback to the ACPBR.



ANNEX B: SUMMARY OF SELECTED PROVINCIAL RED-TAPE REDUCTION INITIATIVES

British Columbia

In 2001, the Government of British Columbia became the first jurisdiction to make a quantitative, time-bound commitment to reducing regulatory burden by one-third within three years. It also established a Deregulation Office under a Minister of State for Deregulation, and established a philosophy that government should shift to results-based regulation* based upon a scientific foundation, where appropriate, to include market incentives, wherever feasible. (Regulation was defined as a regulatory requirement in legislation, regulation, and administrative and compliance policy.)

In its regulatory reform progress report for the period ending December 31, 2004, B.C.'s Minister of Small Business and Economic Development reported that government exceeded its reduction target by achieving a 37-percent reduction in regulatory requirements for the period June 2001 to June 2004.** B.C.'s Minister of Small Business and Revenue and Minister Responsible for Regulatory Reform is now leading government's regulatory reform initiative to focus on streamlining and simplifying timelines and procedures, and ensure the new target of "no net increase" in regulations over the next three years is met.

*The B.C. government defines red tape as:

- Non-essential procedures, forms, licences and regulations that add to the cost of dealing with government;
- Anything obsolete, redundant, wasteful or confusing that diminishes the province's economic competitiveness, and stands in the way of job creation or wastes taxpayer's time and money.

**The B.C. Regulatory Reform Strategy, as cited in its Strategic Plan for 2004/05 to 2006/07, will build on its regulatory count database and regulatory reform by requiring regulatory reform initiatives and targets be identified in Ministry Service Plans and a shift in the role of the Regulatory Reform Office toward "smart regulation." For more information, see www.regulatoryreform.gov.bc.ca.

New Brunswick

Red-tape reduction is a cornerstone of the Greater Opportunity: New Brunswick's Prosperity Plan. Reducing red tape means making life easier for businesses in New Brunswick by improving access to government services, focusing on highly regulated industries, helping businesses to grow and prosper, and establishing mechanisms to listen to the business community. Reducing red tape between government and the private sector allows businesses to focus their efforts where they should be focused: on expanding New Brunswick's economy and creating new jobs.

Creating a competitive fiscal and business environment not only means assisting existing businesses, it also means being proactive by helping new and growing businesses create new jobs and enter new markets.

Red-tape reduction is not a one-sided activity. Without the input and advice of the business community, the province's red-tape reduction efforts can only go so far. To go the extra distance, government must communicate directly with the businesses that are on the receiving end of its rules and regulations.

A private-sector-led Red Tape Reduction Advisory Committee and a team of departmental red-tape reduction coordinators continue to support the work of

red-tape reduction. The committee's work has led to many accomplishments by:

- improving service to businesses (enhanced Directory of Services);
- focusing on highly regulated industries (Working Group on Trucking Services Improvements);
- listening to New Brunswick businesses (roles of inspectors/construction); and
- helping businesses grow and prosper (Business Impact Test).

Newfoundland and Labrador

A red-tape reduction (RTR) initiative was launched in February 2005 with the establishment of the RTR Task Force. The goal is to reduce, streamline and/or eliminate unnecessary and burdensome regulatory and administrative red tape by 25 percent within the next three years. The scope of the initiative includes an assessment of all regulatory requirements that affect individuals, businesses and external organizations that interact with the Government of Newfoundland and Labrador. Its intent is to identify which requirements inhibit the growth, development and competitive ability of small and medium-sized businesses and nongovernmental organizations, as well as those that affect individuals who access government services and programs.

The initiative is being led by the province's Department of Business. Activity is proceeding along two lines, consisting of: public consultations and submissions to the RTR Task Force (to be completed in the fall/winter of 2005); and internal review and submissions by government departments and agencies. The department has established a small secretariat to oversee and support the RTR process. It is the intent of government to maintain a zero net

regulatory increase following the conclusion of the RTR initiative. Newfoundland's process is modelled on the British Columbia approach.

Activities to date include the following:

- The RTR Task Force has conducted stakeholder consultations with industry associations, volunteer organizations and interested parties on the East Coast, in the Gander area, in western Newfoundland, and Labrador. There are plans for stakeholder meetings in Grand Falls, the Northern Peninsula and the Burin Peninsula throughout the fall. Additional consultations will be conducted as requested, with ongoing consultations as the initiative is implemented.
- In September 2005, Deputy Ministers were briefed by the Clerk of Executive Council and the Deputy Minister of Business, and the process was rolled out throughout the government as follows:
 - RTR guidelines were developed and distributed;
 - each department and agency has assigned a lead coordinator;
 - regulatory requirement counts have been completed and submitted by all departments and agencies (November 2005);
 - all departments and agencies are to complete and submit their three-year plan for achieving a 25-percent reduction in regulatory requirements by the end of January 2006.

Nova Scotia

The Nova Scotia government has made an ongoing commitment to better regulation. Building on recommendations from the fall 2004 Red Tape Reduction Task Force report, Nova Scotia launched the next phase in regulatory reform in May 2005. The multi-year initiative commits to building a sustainable culture of red-tape reduction across government.

Progress in regulatory reform is happening province-wide. As the primary regulatory department in the provincial government, Nova Scotia Environment and Labour has created an Office of Competitiveness and Compliance to contribute to a strong business climate through its regulatory regimes in occupational health and safety, labour standards, public safety, environment, and alcohol and gaming, while still upholding high standards of protection for public health, safe and fair workplaces, and the environment. Nova Scotia Agriculture and Fisheries has undertaken a major regulatory streamlining initiative for food safety regulations. The new, outcome-based regulations reduce the regulatory burden for businesses while strengthening public health protection.

Nova Scotia is focusing on finding solutions for reducing the regulatory burden in small business sectors. The approach charts the cumulative impacts of provincial, federal and municipal regulatory requirements for start-up and ongoing operations, and identifies opportunities for improving and streamlining access and delivery.

The province is committed to measuring its progress in reducing regulatory burden for business. A partnership with Statistics Canada on the Paperwork Burden Reduction Initiative (PBRI) survey will provide Nova Scotia with specific data

on the hours and costs to comply with regulations. Currently, Nova Scotia is piloting several measurement approaches taken by other jurisdictions and is working on developing a meaningful approach to measuring and reporting the time and effort it takes businesses to comply with provincial regulations. Performance measures on regulatory burden will be integrated into business plans and government accountability reports.

Ontario

In April 2005, Ontario's Premier announced the Small Business Agency of Ontario to champion the interests of small businesses. Under the Ministry of Economic Development and Trade, the agency will give owners and operators a voice in government and help provide a positive environment for small businesses to succeed by:

- leading regulatory reviews to reduce paperwork burden in priority areas;
- saving small businesses time and money by improving communication between them and the government;
- working to prevent new regulatory burdens on small business;
- advising on the design and implementation of a new regulatory registry; and
- developing and promoting best practices.

Quebec

In its 2001 report, the Advisory Panel on Regulatory Reform presented an initial inventory of regulatory requirements from about 20 departments and agencies. The inventory indicated that, in 1998–99, more than 17 million formalities stemming from more than 450 regulatory

requirements had been imposed on enterprises.

In 2002, as a follow-up to some of the advisory panel's recommendations, the Quebec government gave 19 departments and agencies a two-year deadline (2002–04) within which to come up with concrete measures that would reduce administrative formalities imposed on enterprises by approximately 20 percent. An assessment of whether or not this objective was achieved is under way.

The government also asked departments and agencies, including Revenu Québec, to respect a two-year moratorium (2002–04) on new regulatory requirements.

The province's action plan on regulatory and administrative streamlining, made public in October 2004, includes a measure aimed at maintaining the moratorium for an additional three years (2004–07).

The action plan also includes measures focusing on:

- developing a government business services portal, including transactional services;
- consolidating front-line services to enterprises;
- allowing enterprises to use a single number for all communications with departments and agencies;
- implementing a one-stop service for updating enterprise identification (ID) information and making address changes;
- combining annual business returns for Revenu Québec and the Registraire des entreprises;
- standardizing the definition of total payroll as it applies to source deductions and employer contributions;

- making better use of information technology, particularly as concerns taxation matters; and
- setting up formal consultations with private sector partners to follow up on the action plan and advise the government about new priorities concerning regulatory and administrative streamlining.

Some of these measures are already in place; others are being carried out according to a timeline that extends up to the end of 2006.

The government also adopted, by decree, a regulatory and administrative streamlining policy specifically concerning the administrative burden imposed on enterprises. This policy requires provincial departments and agencies to:

- reduce administrative requirements in bills and draft regulations (relating to forms, permits, authorizations or data collecting) to a strict minimum;
- take into account the limited capacity of small and medium-sized enterprises when establishing regulatory requirements;
- make public their commitments regarding regulatory and administrative streamlining as it applies to enterprises in their strategic plans, and report annually on their accomplishments in this area in management reports.

Finally, on October 13, 2005, the Quebec government released an economic development strategy targeting, among other things, a new 20-percent reduction in administrative formalities imposed on enterprises by 2010.

ANNEX C: REGULATING DEPARTMENTS AND AGENCIES

The following regulating departments and agencies oversee one or more federal regulations affecting small businesses:

Agriculture and Agri-food Canada
www.agr.gc.ca

Canada Border Services Agency
www.cbsa-asfc.gc.ca

Canada Revenue Agency
www.cra-arc.gc.ca

Canadian Food Inspection Agency
www.inspection.gc.ca

Citizenship and Immigration Canada
www.cic.gc.ca

Environment Canada
www.ec.gc.ca

Finance Canada
www.fin.gc.ca

Fisheries and Oceans Canada
www.dfo-mpo.gc.ca

Foreign Affairs Canada
www.fac-aec.gc.ca

Health Canada
www.hc-sc.gc.ca

Human Resources and Skills
Development Canada
www.hrsdc.gc.ca

Indian Affairs and Northern
Development Canada
www.ainc-inac.gc.ca

Industry Canada
www.ic.gc.ca

International Trade Canada
www.itcan-cican.gc.ca

Justice Canada
canada.justice.gc.ca

National Capital Commission
www.canadascapital.gc.ca

Natural Resources Canada
www.nrcan-rncan.gc.ca

Public Works and Government
Services Canada
www.tpsgc-pwgsc.gc.ca

Transport Canada
www.tc.gc.ca

Treasury Board Secretariat
www.tbs-sct.gc.ca



ENDNOTES

¹ External Advisory Committee on Smart Regulation, *Smart Regulation: A Regulatory Strategy for Canada*, September 2004, p. 9.

² Institute of Public Administration of Canada and Institute for Citizen-Centred Service, *Taking Care of Business*, April 2004, p. 21.

³ This estimate is based on:

- hours spent weekly on paperwork and other activities related to regulatory compliance (e.g. reading regulations, consulting with lawyers or accountants);
- dollars spent annually on professional fees to ensure regulatory compliance, and on special equipment and renovations solely to comply with regulations; and
- cost of lost sales as a result of regulatory delays or restrictions.

⁴ OECD, *From Red Tape to Smart Tape — Administrative Simplification in OECD Countries*, 2003.

⁵ World Bank, *Doing Business in 2005: Removing Obstacles to Growth*, 2005.

⁶ OECD, *From Red Tape to Smart Tape — Administrative Simplification in OECD Countries*, 2003.

⁷ Treasury Board of Canada Secretariat, *Reducing Paper Burden on Small Business: Making It Permanent, A Progress Report for 1995 by the President of the Treasury Board*, October 1997, p. 6.

⁸ Descriptions and updates on Smart Regulation projects are included in the fall 2005 update and March 2005 version of the *Smart Regulation: Report on Action and Plans*. These reports are posted on the Smart Regulation website at www.regulation.gc.ca.

⁹ An important project under the Smart Regulation initiative is the Government Directive on Regulating (GDR). The directive is intended to strengthen federal regulatory governance by making clear commitments to Canadians on how government regulates, and by outlining clear responsibilities for departments and agencies at all stages of regulatory management, including development, implementation, evaluation and review.