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Chair

Mr. Dan Ruimy

Standing Committee on Industry, Science and Technology

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• (0845)

[English]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): Good morning, everybody, and welcome to meeting 147 of the Standing Committee on Industry, Science and Technology. Pursuant to Standing Order 108(2), we are continuing our study of the impacts of Canada's regulatory structure on small business.

Today, from the Canadian Chamber of Commerce, we have Ryan Greer, Senior Director, Transportation and Infrastructure Policy. From the Canadian Federation of Independent Business, we have Laura Jones, Executive Vice-President, and Corinne Pohlmann, Senior Vice-President, National Affairs and Partnerships.

We're going to begin with the Canadian Chamber of Commerce. You have up to seven minutes to present to us.

Mr. Ryan Greer (Senior Director, Transportation and Infrastructure Policy, Canadian Chamber of Commerce): Thank you, Chair, and the committee for inviting the Canadian Chamber to take part in your study on the impacts of Canada's regulatory structure on small businesses.

Challenges with Canada's regulatory frameworks have long been a key issue for a large portion of our network of over 200,000 members, which are small companies.

While the myriad government rules and regulations that permeate nearly all business activity in Canada exist for a reason, whether it be maintaining market integrity, environmental safety or consumer protections, they also create a costly and uncertain environment to start or grow a business. This is especially true for small companies that lack the specialized and dedicated compliance resources of larger firms. For a small business owner, every hour spent on administrative and compliance activities has huge opportunity costs. It is one less hour spent on productive work, such as acquiring new customers, improving a product or service, or training their employees.

Last May the Canadian Chamber published a report, "Death by 130,000 Cuts", which takes its name from the over 130,000 federal requirements that impose an administrative burden on business. In it, we made several recommendations about how the government could improve Canada's regulatory competitiveness. I believe a copy of that should have been distributed to the members beforehand.

Its message to the government is that in addition to reducing red tape, we need to tackle the root causes of our regulatory problems. The cumulative burden is one symptom of poor regulatory processes. Without changes to how departments and agencies develop regulations, any of the gains that we might see from regulatory and red tape efficiency exercises will continue to be erased.

To reduce the cumulative burden that disproportionately affects small companies, we would like to see the Treasury Board expand the one-for-one rule, so that in addition to administrative requirements resulting from regulations, it also applies to requirements from legislation, departmental guidelines and other policies. Filling in this gap would certainly help control the overall growth in red tape.

The chamber would also recommend that the government amend the current one-for-one rule and establish a temporary two-for-one rule to remove two administrative requirements for every one that is introduced. This is not a radical idea. As we know, B.C. had tremendous success with this approach in the early 2000s, which resulted in a 36% reduction in regulatory requirements between 2001 and 2004. The Government of Manitoba and our neighbours to the south in the U.S. are using their own versions of a two-for-one rule right now.

I understand that this study is also looking at how to support small companies through international regulatory alignment. Removing non-tariff trade barriers is important for small firms, and the chamber has been an active participant in the Canada-U.S. regulatory co-operation council and the nascent discussions around regulatory co-operation through CETA.

However, for most small businesses this is putting the cart way before the horse. We need to find a way to address the tyranny of small regulatory differences that exist between provinces in Canada. They are a serious deterrent for a small company considering expansion within this country, and for many of them Canadian expansion is a precursor to trying to do business internationally.

The new Canadian Free Trade Agreement is a definite improvement on the old agreement on internal trade, but still has its shortcomings, and the regulatory reconciliation mechanism is the most important one. The CFTA promises that there will future negotiation on regulatory alignment when what is needed now is big, bold commitments to mutual recognition.

While we appreciate that many of the decisions regarding these differences are within the purview of the provinces, who all have distinct interests, the federal government holds many carrots and sticks to help advance this work. It cannot be overstated how important legitimate progress on interprovincial trade and regulatory barriers is to addressing the issues being considered in this study.

In our report, we recommended that all regulators be given economic competitiveness and innovation considerations in their mandates. Protection 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.

We were pleased when November's fall economic statement said the government would explore making regulatory efficiency and economic growth a permanent part of regulator mandates. The chamber would very strongly encourage the House to take up and pass legislation in this regard as soon as possible. For small firms, this could be more important than the existing Treasury Board's small business lens. If implemented correctly, it would encourage departments and agencies to be more proportionate in their regulatory actions and ensure that growth is an economic outcome that all regulators are working toward.

The fall economic statement also responded to another of our recommendations in stating that the government would establish an external advisory committee on regulatory competitiveness. In addition to ensuring that the committee has sufficient small business representation, we'd recommend building accountability into its structure. This can be done by adopting a comply or explain approach to the committee's work. This would mean that the government would need to either implement the committee's recommendations or at the very least publicly explain why it will not.

● (0850)

Last, relevant to this study, we agree with the need to make our regulatory frameworks more nimble. This is especially important for innovative small firms. The traditional command and control, regulate and forget models are not sufficient for today's rapidly changing markets and technologies. We need more iterative, outcome- and risk-based regulatory approaches.

We are supportive of the commitment to create a centre for regulatory innovation that was in the fall economic statement. Again, implementation will be critical. This initiative cannot be designed by civil servants for civil servants. It needs to be set up with the input of small innovative firms that are currently bumping up against our antiquated regulatory frameworks.

Many of the government programs and pilot projects that are established to support innovative businesses tend to be more focused on minimizing or eliminating risk to departments than on the needs

of companies. Think of SR and ED, the build in Canada innovation program and many others this committee is familiar with.

Departments do not do well with risk-based approaches. They layer in all kinds of bureaucracy as a security blanket, which can make these programs inaccessible or more trouble than they are worth for many small companies.

I'll wrap up here with a final comment. Looking back, there have been many, many whole-of-government and regulator-specific efforts to improve the regulatory environment for small, medium-sized and large companies in Canada. Despite some of their successes, there has been a continued growth in the complexity, inconsistency and unpredictability of Canada's regulatory environment.

This is a self-imposed barrier to growth and we—government, businesses and all other stakeholders—need to be more bold and ambitious if we want to reverse this trend. Doing so will have tremendous long-term economic benefits for all Canadians.

Thank you.

The Chair: Thank you very much.

We're going to move to Laura Jones, with the Canadian Federation of Independent Business.

Ms. Laura Jones (Executive Vice-President, Canadian Federation of Independent Business): We want to start by thanking the committee for inviting us to present today. We appreciate the opportunity to share the perspective of small business on the impact of Canada's regulatory structure. Regulation is among the most important issues we hear about from our 110,000 small business members across Canada.

There's much about Canada's regulatory structure that works well. Important government rules are in place to allow for the exchange of goods and services, and to ensure high outcomes in the areas of health, safety and environmental protection. However, we all know that regulation is not free. It takes time and money to comply with government rules, which is why we have to guard against over-regulation, or what we call "red tape".

Excessive regulation leads to a host of bad consequences, not just for small business but also for society. Some of these consequences include things like reduced incomes, higher prices, less entrepreneurship and fewer jobs, and there are some interesting new studies now connecting excessive regulation with increased income inequality and poverty. Any strategy to support the middle class in this country must have a strong focus on keeping government rules manageable.

How much red tape is there in Canada? Well, small businesses will tell you they think roughly 30% of the regulatory burden can be reduced without undermining the legitimate objectives of regulating. This may be a conservative estimate, if you look at what happened in the province of British Columbia. Ryan mentioned the 36% reduction between 2001 and 2004. Even more impressive, they've continued to make gains since then with their one in, one out policy, and they have currently cut their rules nearly in half—a 49% reduction—relative to 2001 levels. This is probably the most successful model of regulatory reform that exists in North America. They've done that while maintaining high levels of health, safety and environmental protection. I think that's important to say.

Our first point is that we believe there is room to reduce regulatory requirements in Canada. Our advice would be to set a reduction target of 25% to be accomplished in three years. I think this is a very conservative estimate of what can be reduced. As part of meeting this target, it will be critically important to engage and empower regulators to be part of the solution. While the private sector and business associations can help identify things to fix, regulators across the system are also in an excellent position to help with this while preserving important rules. I think that's one of the most important lessons that come from what happened in British Columbia.

This brings us to our second main point about the regulatory structure in Canada: we don't yet have enough accountability. For example, there are no comprehensive measures available on the total number of federal regulatory requirements. Ryan mentioned 130,000, but that doesn't cover all government departments and agencies. It certainly doesn't cover all of the requirements coming even from the departments and agencies that it does apply to. This means that even if we all agreed that the total regulatory burden should, as we recommend, be reduced by 25%, we would have no way of monitoring this. When it comes to other ways government affects our lives, like taxation and spending, we have lots of reporting and accountability. When it comes to regulatory measurement and accountability, we have very, very little.

I'll now turn things over to my colleague, Corinne, who will walk you through some of the data we have from small businesses that supports our recommendations.

• (0855)

Ms. Corinne Pohlmann (Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business): Thanks.

I'll refer you to the slides that are in front of you. Slide 3 shows that the smallest businesses actually pay the largest per-employee cost of regulation. From a small business perspective, the cost of regulation is regressive and puts the smallest businesses at the biggest disadvantage because they don't benefit from the economies of scale that larger businesses would.

Slide 4 shows the same data, but now it's compared to U.S. businesses. U.S. businesses have lower per-employee costs for most business sizes. This again underscores our main point that there's probably still room to reduce the regulatory burden. The impacts really go far beyond costs. When asked, small businesses will tell

you that the excessive regulations have a significant impact on their productivity, as you can see here.

Perhaps more worrying, as you can see on the slide, is that close to half of business owners report that they would discourage their kids from going into business as a result of the regulatory burden that now exists in this country. Given the demographic trends we're facing, this should not be ignored.

In terms of the types of federal irritants that are of greatest burden to small businesses, this slide here gives you a very high level overview of the top concerns of small business owners. Tax related regulations and paperwork really dominate the top three. Basically, all businesses have to deal with CRA. Also significant for many small businesses, though, is dealing with records of employment—or ROEs—and Statistics Canada.

As far as solutions go, as you can see here, small businesses are really strong supporters of just about anything the government might try to do to reduce red tape. We recommend all of the things you see listed here, some of which have already been addressed to some degree or have started to be addressed. We'd be happy to discuss any of these points further.

For example, Canada was the first country in the world to pass one-for-one legislation, and it did this with all-party support. Canada is actually now seen as a world leader in this particular area, and we think that still more can be done. For example, as Ryan also pointed out, the one-for-one legislation should be expanded to include more than just regulations, to other types of requirements found in legislation and policies and guidelines.

Furthermore, we recognize that the government recently announced some new regulatory modernization initiatives as part of the fall economic statement, including establishing an external advisory committee, which is also listed here as one of the things our members think is important. All of these are a very good start and are only the beginning. Small businesses really need governments to continue to do more.

As you can see here, what small businesses are looking for is for governments to simplify, reduce and clearly communicate regulations to help them better comply. They also want to see improvements in government customer service, which can include things like providing examples of what constitutes compliance. For these types of initiatives, it isn't always just about the regulations; it's often about how those regulations are communicated and what it is that businesses need to do in order to comply.

This is a list of comments from business owners on what they would do if they had more time and were spending less time on red tape. This actually came from a poll we did just two weeks ago during our annual red tape awareness week, and we hope some of these ideas will inspire you to continue paying attention to this important policy area.

Finally, I will leave this slide up as these are our main recommendations, which Laura went through at the beginning. We'd like to thank you for your attention, and we look forward to your questions.

● (0900)

The Chair: Thank you very much.

We didn't have enough PowerPoint slides for everybody, so they will be sent to your offices via email.

We're going to jump right into questions with Mr. Longfield.

You have seven minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thanks, Mr. Chair.

Thanks to the witnesses for coming. This is something that has been on my mind for many years, both as a small business owner and president of the Guelph Chamber of Commerce, working with the Canadian Chamber of Commerce and the Ontario Chamber of Commerce. Now that I'm on this side of the table, I'm in the position to ask, "How can we work together?"

Maybe I could start with Mr. Greer on how the government engages businesses through his network. Maybe we'll go to both witnesses. Some businesses say they're surveyed to death. On the other hand, we need to know where the worst areas are in terms of cost to business. We need regulations to protect the safety and protect consumers in Canada, but there are some regulations that cost a lot of money, and it could be argued that the climb isn't worth the slide.

Do you have any specific examples of regulations that are costing business or are the greatest irritants to business?

Mr. Ryan Greer: I think a good place to start, and I imagine the CFIB will echo this, is the Canada Revenue Agency. As you know, the members of chambers of commerce get together every year and propose policy resolutions and amend and debate these; that's what actually helps set the policy of the Canadian chamber. Some 400 chambers of commerce are able to submit and propose resolutions through this process, and one of the most commonly occurring is those built around CRA processes. There are multiple ones that usually come up every year. The CRA, I think, has made some efforts to continue to try to address some of those, but, nevertheless, it remains one of the biggest pain points, I think, for small companies. If you venture into almost any department, you'll find examples from companies that are the most directly affected by those regulatory regimes, including problematic regulations or maybe just regulations that haven't been reviewed, such as to modernize their compliance activities, to ask the question if regulations themselves are more relevant. I think the CRA is a good place to start, but you can go into almost any regulatory department or agency and find a host of examples from our members.

Mr. Lloyd Longfield: Ms. Jones or Ms. Pohlmann.

Ms. Laura Jones: Corinne may give you some more specific examples, but I want to make a different point with respect to this.

One of the challenges and reasons that I think regulatory reform initiatives fail often—and history is littered with failure, not just here but in many developed countries—is that it's very tempting to say, "Give me your list of top 10 irritants." Don't get me wrong; I think that's an important part of the solution, and we can give you a list of a hundred irritants to address. However, the challenge for groups like ours is that we'll come forward with those irritants, and we have hard-working, dedicated people who get to work to solve those

particular problems, and in the meantime, across the rest of the system, new rules continue to pile up. In fact, I ran into someone from a big business at the airport who was saying exactly the same thing as we're saying on this. I think we really need to change the architecture so that identifying those irritants is actually a winning formula for businesses to say, "Yes, we see that there is reduction", and that requires a reduction target. The two-for-one strategy is a very good approach, followed by a one-for-one strategy. We need that in place, and then at the same time, when we identify these irritants, we'll actually make some progress and you'll see the heads nodding on our side of the table that, yes, the load is getting lighter.

● (0905)

Mr. Lloyd Longfield: The Treasury Board's recently done a consultation process and is looking at, how do we streamline? How do we introduce innovation into our regulatory processes?

One of the comments I've heard from that consultation process was that getting the cost from actual businesses was a difficult thing to draw out. The businesses will always say, "We don't like red tape. We don't like the government being involved in our business. We don't want to spend our time doing government paperwork." But getting the cost of that discussion forward is a difficult thing.

Right now we're trying to simplify what we have, but as you just said, we're also trying to engage businesses earlier in the process as regulations are coming forward. Is that something we need to consider in our report going back to government?

Ms. Laura Jones: Do you want to go first?

Mr. Ryan Greer: Sure.

First, just quickly, to echo what Laura said, think of the specific problematic regulatory measure as the symptom. It's good to treat the symptom. It's good to manage the symptom. But if you don't tackle the underlying problem, there are just going to be other symptoms to deal with in the future.

For many businesses, especially small companies, it's hard to calculate the costs—the opportunity costs. What does it cost me to spend three, four, five or six hours a week on these particular measures? I'm doing different things at the other time. These aren't large companies that can perhaps bring in an auditing firm or some other consultant to break down exactly what the cost is for them.

To your question on engaging earlier in, I think there's also some work that needs to be done around rebuilding business confidence in some of those cost-benefit analyses that happen at the front end. Too often, there's a proposal from a department, and they have a very strong idea of what they would like to do. The cost benefit seems to be built around how to justify that decision rather than trying to get honest accounting between business and other stakeholders as to what the actual cost will be, whether it's worth it, and whether the underlying assumptions around the social and other long-term benefits are worth it. One, it's difficult to calculate what those costs are, but two, there needs to be a closer relationship on the front end to actually determine what the real costs are, not just those that maybe come from some folks who haven't had experience in the industry themselves.

Mr. Lloyd Longfield: I'm running out of time, but that cost-benefit analysis is one that I think we'll see throughout this study. Getting the actual numbers will be something that we'll be looking for.

Ms. Laura Jones: Yes, but I would caution.... I think cost benefit has a very important place in regulatory reform, particularly with respect to challenging new regulations that are coming on the books. However, with respect to the problem of death by a thousand small paper cuts, it doesn't do a great job of capturing those things.

That is why we recommend a simple, comprehensive measure that doesn't impose a lot of burden on businesses. Often, for whatever reason, that seems to be a challenge for governments to understand why it's so important to have an aggregate, comprehensive, simple count kind of measure to complement the cost benefit.

Mr. Lloyd Longfield: Thank you very much.

The Chair: Before we proceed, I have the luxury of having the French version of the slide, which we haven't been able to pass out. I'm noticing the dates of a lot of your surveys. They're up to date, being dated as 2017, but on page 9, it's actually 2008.

Is that correct?

Ms. Corinne Pohlmann: That's correct.

The Chair: Would you have more up-to-date information that you could submit?

• (0910)

Ms. Laura Jones: Yes, we can easily ask that question again.

The reason that question is not more current is that we have asked it several times in the past—pre-2008—and the results were very, very stable. We feel confident that reflects the small business perspective, but we can easily ask that again and get you fresh data.

The Chair: Okay.

Mr. Albas, you have seven minutes.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Are we putting more red tape on the CFIB?

The Chair: I was just asking if they had a more up-to-date survey. That's all.

Mr. Dan Albas: More requirements....

Anyway, thank you all for being here today. I'd like to focus on regulatory red tape from the perspective of proportionality as well as opportunity costs.

Before we go there, I'd like to ask Mr. Greer first of all about the national carbon tax that the federal Liberal government has imposed upon many provinces and territories.

I remember that Bill C-74, the implementation act for it, was about 300 pages long, and that was just the legislation, not the regulation, saying this is who you charge tax to and who you don't charge tax to. You can't charge a farmer for purple gas, but you can charge a farmer for regular gas, and on and on it goes. Whether we're talking about flying between Ontario and a territory such as Nunavut, you would have it, but in British Columbia, obviously they don't charge a carbon tax on jet fuel.

Would you please explain what impacts that would have on many of your members, particularly the small ones that proportionately have a heavier compliance burden and where this is the most challenging?

Mr. Ryan Greer: To set aside carbon pricing for one moment, the chamber has long advocated, and will be advocating this year, for comprehensive tax reform. Our current tax system is so incredibly complex, it is a large driver of what is causing problems for businesses of all size, including small ones.

On carbon pricing, the chamber has been on the record since 2011 in favour of carbon pricing as an effective way to reduce emissions, but the promise was always that there would be regulatory reductions associated with that. One of the things we've been watching in trying to understand where the carbon pricing debate is going is whether we, small business members particularly, see a reduction in regulatory requirements that would offset what some of those costs might be.

Right now, we're not seeing that. We're seeing carbon pricing, plus a clean fuel standard, plus a new methane regulation. It's sort of a pricing plus regulation, as opposed to pricing minus regulation. In the view of our members, the benefit of a tax is that it would be more efficient than those other regulatory approaches.

However, right now we're sort of getting the worst of both worlds, so any driver of costs for our members this year and going forward will be a challenge for them.

Mr. Dan Albas: For a small business that is trying to service multiple different types of clientele and different classes, do you see their going to be subject to a whole bunch of regulatory red tape? Will they have to open up a binder to see where they apply the tax and where they don't?

Mr. Ryan Greer: From a pure cost perspective, even if there's a rebate for small businesses based on carbon pricing, the clean fuel standard is going to increase transportation costs—the regulatory side of transportation costs across Canada. Even for low-emitting small businesses, almost all of them rely on the transportation system in one way or another and are going to have their costs increase through the clean fuel standard.

Certainly it's something that we and our small business members are watching closely.

Mr. Dan Albas: It's not just the price, because that's a different question here. Do you feel that the regulatory requirements may also push some activities away—because there are increased costs that have to be passed on to someone—and you might see people deciding to take a flight from the United States rather than from Canada? Again, it's carbon leakage, but by regulatory means.

Do you think that's an issue?

Mr. Ryan Greer: Certainly it's one risk. We will be strongly encouraging the government—along with carbon price regime that it's proposing—to show us how regulatory burn will be reduced to offset some of those tax costs. It's certainly something we'll be watching for and pushing.

Mr. Dan Albas: I'd like to go to the CFIB. Ms. Jones and Ms. Pohlmann, thank you for your presentation and your ongoing work on this.

Another area where we've seen a lot of resentment from the small business community is, obviously, in response to the changes to the Income Tax Act, particularly to Canadian-controlled private corporations. Again, these rules were implemented with very little consultation. Many small businesses told me that they felt the federal government was out to get them.

This is the first year with these new rules in place. Are your members finding it more complicated to be able to comply? Again, small businesses face the higher proportionality of reporting requirements. What are your members saying?

• (0915)

Ms. Corinne Pohlmann: In particular, it's the tax on split income changes that has had the biggest impact in terms of the regulatory burden. There are now two levels of tests that you have to go through to prove whether a family member is working in your business. There's now a bright-line test that you have to go through first. If you pass that, then you're good. If you don't pass that, you have to go through a reasonableness test, which has always kind of been there. The addition is now this bright-line test, which pretty much everybody who employs family members has to figure out a way to prove to the CRA, such as by producing time sheets to show that your spouse is actually working in the business legitimately. That is the type of paperwork burden that's increased as a result of the tax on split income changes. The actual tax itself may not have as broad an impact. It's the extra paperwork that's really been adding to the costs of small businesses when it comes to—

Mr. Dan Albas: The extra paperwork.... Because again, to apply for that particular program, you have to submit paperwork showing that you've made.... Do you think there are going to be some cases where people just don't have the paperwork for something they could legitimately apply for, but choose not to do so just because of the regulatory burden that goes along with that?

Ms. Corinne Pohlmann: There's always that potential, for sure. I think our bigger fear is whether our members even know what type of paperwork is going to be required. We're trying to work with CRA right now to get that information out as broadly as possible. I don't think we're really going to know until we're about two years down the road, once audits of those businesses start to happen and we see whether or not the materials they're producing are being used by CRA as legitimate enough. I think it's going to take a few years to really understand the repercussions of this and see how it's going to play out in the real world.

Mr. Dan Albas: I'll ask Mr. Greer and CFIB the same question. Because of things like a national carbon tax as well as the small business changes, do you feel that the regulatory burden has negatively impacted your members, from a red tape perspective?

Ms. Corinne Pohlmann: Yes, absolutely. That's one of the reasons the Income Tax Act is currently not included as one of the areas that comes under the one-for-one rule or is not included as part of the count. Both these measures, as far as I understand, are under the Income Tax Act more than anything else. Yes, it continues to grow, but there's no control over that particular act in terms of its impact on small business.

The Chair: Respond very briefly, please.

Mr. Ryan Greer: I would just add— and I think this goes to something that Laura said, which is really important—that there are

specific initiatives, and there will always be regulatory and legislative initiatives that, by virtue of their necessity, will increase red tape or regulatory burden. Having no complete, accurate measure of what that burden is and being able to fully track where we're at and how we can reduce those numbers makes it difficult, because it gets better sometimes and it gets worse sometimes. We don't have a complete picture of how bad it actually is.

The Chair: Thank you.

Mr. Masse, you have seven minutes.

Mr. Brian Masse (Windsor West, NDP): These are good presentations and good documents.

First, I've got a simple question. Why do we need regulations?

Mr. Ryan Greer: As I alluded to in my remarks, there are any number of reasons—many of which benefit all Canadians and businesses alike—including market integrity, and health and safety protections.

Ms. Laura Jones: I would echo that. I think there are a number of really important regulations. In fact, small businesses would say that about 70% of the rules we have are necessary. They have no issue paying taxes and filling out the forms to pay their taxes, for example. You start to have the challenge when the forms get overly complex or the rules around paying taxes get cumbersome for no good reason.

Mr. Brian Masse: The general thought, though, is that there's not opposition to having regulations. The problem is that we need enforcement, because some people choose not to follow the law and fair practices. There has to be some enforcement of health, safety, labour and employment laws and the necessary documents for employment insurance, for example, and other things like that. That is when it comes in place.

In the document you have here, there's \$36 billion in costs. Where did that number come from? What's the background for that annual \$36 billion?

Ms. Laura Jones: That comes from a survey of our small business members that we do, when we ask them the time it takes to comply: the time their staff spends in complying, and the money they spend on things like accountants to comply with the rules. It's an estimate of the cost of regulation to Canadian business. That's not Canadians overall, but Canadian businesses of all sizes. It's a basement, a very conservative estimate of the cost. Any time we had to make an assumption, we made a conservative assumption, and there are things that are not included in our estimate.

• (0920)

Mr. Brian Masse: Was the methodology created by yourselves or by a university or an institution?

Ms. Laura Jones: No, that methodology was created in house at CFIB, with the help of our chief economist.

Mr. Brian Masse: You have some really good recommendations, and the first one is, “Measure the regulatory burden”. I think that’s a really good point. If you’re going to get the low-hanging fruit or whatever, it always seems this way. At any rate, where do we need to better measure what we have in front of us currently? The chamber has a good document too. They mention the 2015 report as well. So we have some numbers floating around, but are these scattered or not consistent?

Ms. Laura Jones: They’re scattered, not consistent and not comprehensive enough, and I would include our measure in that: it is not comprehensive enough. It’s an attempt to put a price on it. And some good cost-benefit analyses have been done on specific regulations, but we need a measure of everything in the system, and that doesn’t exist. I would suggest that it be a simple measure, not a perfect measure. It won’t tell you everything you need to know, but that’s why we’re suggesting a regulatory requirement measure.

Mr. Brian Masse: So you’re looking for a benchmark that we could look at every year, and maybe have it in different categories, and measure how we’re getting along. Is that correct?

Ms. Laura Jones: Yes. The Province of Manitoba is now state of the art with respect to this kind of measurement. British Columbia has measures and is looking at regulatory requirements. They can tell you how many they have by department, and you can see whether they’ve gone up or down in any given year. As with taxes, if there’s an increase in the regulatory requirement load in a particular area, we can ask what benefits we are getting from that. It may not be a bad thing to increase the load, but we want to be able to ask those challenging questions about what benefits we might be getting.

Mr. Brian Masse: I think that would be helpful, because I know that terminology like “red tape” and “regulations” is just like grabbing at clouds, whereas if we get some really good measurable.... I think it’s important that the industries are coming to us to say that they’d like to have that measurement, because then you can get to more specifics. I know you have a couple of case examples in your documents here, but it would be nice to have them broken out by industry.

Ms. Laura Jones: Yes, absolutely. Again, I think if you used a measure like British Columbia or Manitoba has established, they’re different, but they both do the same thing. The biggest message I can leave you with respect to measurement is to make it comprehensive and keep it simple. Don’t overcomplicate it. What’s happened in the past is that measurements have been dismissed by saying that it’s too expensive and complicated to do it across the system, so we won’t measure anything. To me, that’s making the perfect the enemy of the good.

Mr. Brian Masse: Do I have any time left?

The Chair: You have two minutes.

Mr. Brian Masse: Okay, that’s great.

I think that’s where we get to the two-for-one strategy and stuff like that. It’s just let’s get at her and see, because you get to the point where it’s too complicated and you get nothing done.

The Canadian chief economists made a presentation complaining about the fact there were government programs, but there was no longer government staff to do those programs and they were always talking about reducing the public service. Have you looked at what

you’re asking for here in your recommendations, and how that would be supported in the current public service, because there’s work to be done here? When I used to work for the Association For Persons With Physical Disabilities, I could show that investing in my program lowered government costs by reducing the number of people on ODSP and other types of disability support, the Canada pension plan disability benefit, and so forth.

At any rate, do you feel that if there were an injection into that we could reduce costs? I’ll leave that to you to finish.

Ms. Laura Jones: I feel that the benefits you would get from this would far outweigh the costs. When you look at what’s happened at the provincial level, again, by not making the perfect the enemy of the good, if a province like British Columbia or Manitoba can do what we would say is a very good job at it, certainly we feel the federal government could do it too. They didn’t create huge armies of people, huge teams to execute this.

Mr. Ryan Greer: The federal government has tremendous resources. Many departments and agencies have incredibly large staff focused on new regulatory initiatives, whether it was the minister or the government that has declared some priority that they’re now working on. But taking some of those staff, taking a step back and saying before they regulate in this new area, if it isn’t some pressing health or environmental emergency, why don’t they use that staff to take account of what we have in stock, what’s working, what isn’t working, what needs to be modernized? We think there’s a tremendous opportunity to spend some time, as you said, looking back at what exists before branching out and continually adding new regulations on top of it.

• (0925)

Mr. Brian Masse: Thank you, Chair.

The Chair: We’re going to move on to Mr. Baylis.

You have seven minutes.

Mr. Frank Baylis (Pierrefonds—Dollard, Lib.): Could I ask you to go back to your slide 7, please?

On the questions about regulations, in this I see two types of issues. One that I think Mr. Greer talked about is the challenge that we’re in a rapidly changing environment, so regulations constantly have to be updated. If we have a self-driving car, well, we just don’t have the regulations for that. So we can complain if the government makes new regulations, but by gosh, it has to do it because those just don’t exist.

When I look at this—and I want to have your comments on this—I tease out two things. On the number one issue, which is payroll taxes, there is no innovation there. Payroll taxes 10 years ago, five years ago or today are exactly the same.

If we say that we’re in a rapidly changing environment, that’s not impacting the concerns of the top ones, which are all CRA—payroll taxes, GST, income tax and any record of employment. There is no innovation going on there. But then if I drop down to sectors, I notice the first sector is environment, which has tremendous innovation going on, and then transport and agriculture.

I'd like to hear your thoughts. As I see this, there are two issues about regulations. One is just the burden, which is not changing—it's static—and one is a very dynamic environment.

How do you see that, Mr. Greer, and then we'll move on?

Mr. Ryan Greer: First, I think departments and regulators generally don't do well with outcome- or risk-based regulation. They like prescriptive, command and control. They'll prescribe how somebody will meet the outcome, and I think payroll and CRA-type taxes are an exact example of that, especially when it comes to money issues.

Where some departments that are trying to keep up with evolving technology or markets are having some success, it's my understanding that they need to accept more risk-based regulations that actually just focus on the highest areas of potential non-compliance.

Mr. Frank Baylis: That's where you have an innovative environment—something is new, something is changing—and you have to balance risk with regulation.

Mr. Ryan Greer: Exactly, and I would just add the need for more outcome-based regulation as well. Set a standard, but let industry figure out a way to get there.

There are examples of this. Fuel efficiency would be one where there has been success, and different manufacturers will take different routes to get there. However, those tend to be the exceptions rather than the rule, which is very prescriptive requirements for most regulators, which prescribe a very clear path.

We have some of our members in the oil and gas sector who talk about the long path to implementing a new piece of equipment in one of their operations. Even if it's more efficient, more environmentally friendly and safer, it's such a long path to get there that often they'll delay the investment or it won't happen—

Mr. Frank Baylis: Because it's got to go through so much regulation—

Mr. Ryan Greer: There is so much regulation. As soon as they implement it, then it's the race for second place. Every other service will follow them immediately afterwards.

Mr. Frank Baylis: So that's the battle with the regulator versus balancing risk and reward.

Now, if I come to the question of, say, payroll taxes—QPP, CPP, EI—there is no risk reward, is there? Just fill in the form. It's just a lot of forms.

Can we talk a little bit? These are your slides. We can sit here and say we have to balance risk and reward, but we don't have to balance any risk or reward on the top four. It's just purely filling in the forms. Have you looked, or is there any argument—we're halfway in there—of using technology just to simplify CRA's interaction, or are there other things there?

Ms. Corinne Pohlmann: Yes. I mean, that's part of it, but I can tell you that one of the most widely cheered changes that CRA made was changing thresholds on GST and payroll taxes, meaning that you don't have to file as often. Depending on how big your payroll is—

Mr. Frank Baylis: You mean the \$30,000 going to the—

Ms. Corinne Pohlmann: You pay GST annually between \$30,000 and \$50,000.

Mr. Frank Baylis: [*Inaudible—Editor*] file quarterly or annually or monthly, and all of that.

Ms. Corinne Pohlmann: Correct, and by changing those thresholds, that meant a whole bunch of people didn't have to pay as often during a year, so that's reduced—

Mr. Frank Baylis: Tell me the thresholds that were changed.

Ms. Corinne Pohlmann: GST was changed in about 2007-2008. I don't think it's been changed since. Payroll tax was changed around 2013 or 2014, somewhere in there. But they hadn't been changed for decades before that. That counted more—

Mr. Frank Baylis: That is the rate of filing that's necessary, right?

Ms. Corinne Pohlmann: Correct, so it's about reducing the burden, so you don't have to file as often.

With the record of employment, they still create eight million, I believe. The number is around eight million a year, of which maybe one million are used. So every year, every time you separate from an employee, you have to fill out these forms that are still on paper. These are all things that I think—yes, you're right—you have to do if you run a business. But there are ways we can do them much more efficiently than we can today, and it's just adding to that burden because this is just federal, and then there is provincial and municipal—

• (0930)

Mr. Frank Baylis: Let's keep that in mind when we're looking at these two issues. As Mr. Greer has pointed out, there are a number where the government is forced to come in and look for regulations to balance risk and innovation, and then there is just a phenomenal burden that every month they have to fill this in. Can they make it quarterly or can they make it monthly, depending on how much money they owe the government?

Ms. Laura Jones: But that's the beauty of having a very simple measure with a constraint in the system, because all of a sudden it's the regulators themselves who are looking for those opportunities. So, instead of our always having to be pounding on the door asking why you don't increase the threshold or change it to having to file it annually instead of quarterly, the regulators themselves start looking for those things and being rewarded for them. That starts to change the culture in government.

Mr. Frank Baylis: Let's talk about that then. I will give you an example. You remember that in China 10 years ago they had a tainted milk scandal. A couple of people were executed. The head of their regulatory agency for food and drugs was fired. After that it got a lot harder, obviously, to get things approved in China—not easier.

That goes to the incentive of the actual regulators. We sit outside and say, why don't you be more effective? Why don't you be more efficient? When you win that balance of risk award, why don't you take a little more risk so we can have more innovation? Do you know what they say? Why? Why would I do that?

The only thing I've seen here is your concept of two-for-one that would mandate them to say, you have to do it. But in terms of saying that they want to change your attitude or your approach, why would they do that?

Ms. Laura Jones: I think currently the system rewards regulators for being regulation makers, to add to the pile of regulation. That's what you get acknowledged for, that's what you get recognized for. I've talked to regulators who say that when you help get a big regulation, that's when you get your certification. You get something nice, a reward, a thank you.

I think ideally what we want to shift to is regulation makers turning into regulation managers, where they are doing a good job of protecting and keeping the important rules, but identifying red tape.

When you look at what happened in British Columbia, you see that it is a very powerful model. They've cut their rules in half, and they still have high levels of health and safety and environmental outcomes. In fact, in some areas, the outcomes are better.

Mr. Frank Baylis: From your surveys, have you seen a change? Do you break it up by province? Let's say they have cut it in half. They could have easily cut it in half by taking two regulations and merging them and saying now they are one.

Have your people said that it's going better?

Ms. Laura Jones: Yes, they have. To your point about two and merging it into one, that's why it's important that the measure be simple, comprehensive, and fairly granular so it can't be messed with. There are always going to be some games that can be played, but they did a good job of coming up with a good, simple measure that was granular enough that you couldn't play those two-for-one kinds of games.

The Chair: Thank you.

Mr. Frank Baylis: Sorry. I'm done.

The Chair: We're going to move to Mr. Lloyd.

Mr. Dane Lloyd (Sturgeon River—Parkland, CPC): I'm going to follow up on some of the questions my colleague Mr. Albas was asking you, Mr. Greer.

Back in 2015 we had a provincial and a federal election in Alberta. One of the key themes was that we needed to buy the social licence so that we could get pipelines built in this country. A part of that social licence was a carbon pricing regime.

I see here from the data the analysts provided us with that since 2014 we have seen nearly 3,000 regulations added to the National

Energy Board, and about 2,000 new regulations for Environment and Climate Change Canada.

Can you comment on whether you feel like the social licence has been bought in this country, or does it feel like we're getting the regulation and the pricing altogether?

Mr. Ryan Greer: I think if any of us felt like the social licence had been bought, we would be building pipe right now, and we're not. Listen, regulatory problems are very different across all of the different departments and agencies, but certainly our inability to get oil to tidewater is one of the biggest regulatory problems in this country with some of the greatest economic impact.

While we are sympathetic to the challenge of trying to set up a regulator that has the ability to go out and undertake the right amount of consultations with the right impact on communities to do these things, that work needs to be focused. The idea that anybody, whether they are impacted by a project or not, could potentially be funded by foreign interests and be able to intervene to their heart's desire in a project creates challenges.

Mr. Dane Lloyd: Are you saying that the new standing test requirements under Bill C-69 could open us up to foreign interests interfering in our regulator?

• (0935)

Mr. Ryan Greer: I think that consultation processes in general through the NEB looking backwards and forwards have provided an opportunity where instead of focusing on the project, we are instead focusing on the policy. Policy consultations and project consultations are two very different things, but over the last several years they have been merged into one.

We think there's room to continue to work on how the NEB is set up and how consultations under new Bill C-69 will work, because we need to find a way to get oil to tidewater.

Mr. Dane Lloyd: One of the things I noticed in here is that while provinces obviously have their jurisdictions and are creating a lot of burdens, that's not necessarily the federal government's fault, and I think it is really incumbent upon the federal government to look for ways we can harmonize regulations.

I want to get your comment on one particular thing that was in the report, the inclusion of upstream emissions in the National Energy Board process. That is traditionally a provincial area of jurisdiction but now that that's been included in the NEB, are we not creating more regulations? And what is the impact of those increased regulations on our energy sector?

Mr. Ryan Greer: I think you're right. Having regulatory overlaps is a problem. When we have jurisdictions competing to set rules where previously there were thought to be jurisdictional boundaries and those no longer exist, that just creates extra uncertainty for industry, extra layers of burden. Yes, harmonizing but respecting jurisdictions where they exist is an important way to do that because it's very challenging for business. In your case, when you are referring to oil and gas, whereas traditionally the Alberta Energy Regulator was tackling upstream emissions, that's now being considered through the federal lens, which certainly creates uncertainty.

Mr. Dane Lloyd: Can you give any tangible evidence of these impacts that the particular legislation or change has cost?

Mr. Ryan Greer: Our members have been heavily engaged in consultations on the legislation, on the changes. I don't have any sort of anecdotes in front of me directly from our members on that one.

Mr. Dane Lloyd: Okay. I also note in your report that back in 2009 or 2010, Canada was ranked about 9th in global competitiveness in terms of regulations, and now we're ranked 14th. Can you elaborate on what has changed and why we have dropped five places?

Mr. Ryan Greer: That's the World Economic Forum Global Competitiveness Index. This is a relative measure, so it's difficult to determine.

Mr. Dane Lloyd: Countries change things.

Mr. Ryan Greer: Other countries have changed. The thing that means the most to us, whether Canada is 9th or 14th or somewhere in-between, behind a few developed countries but generally doing okay, is that in the sub-ranking on the burden of government regulation, we are in 38th place. That means that if we want to improve our global competitiveness, this is clearly an area that we need to work on. I think the reason this committee's study is so important is that this is a problem not just for our members in Canada, but also for investors and those looking to move in and do business in this country. They're looking and saying that it's not as attractive a business environment as it should be.

Mr. Dane Lloyd: How much time do I have left?

The Chair: You have five seconds.

Mr. Sheehan, you have five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you again for your presentations. It's nice to see you all again. Obviously, your input is always welcome. I've seen you at a few committees that I attend, so thank you again.

I was reading about the methodology in appendix B. You surveyed some 7,823 small and medium-sized businesses across Canada. Do you also track regions, where this data would come from, say a coastal area, the Prairies, rural versus urban area, and northern border communities, not just by province or maybe by province.

Would you care to elaborate on your methodology?

Ms. Laura Jones: We can do breakouts by province, and where the sample sizes are big enough, we can do some of the other breakouts you're talking about, including coastal regions and other things.

For the purposes of the report we put together, we've always been very clear that it is not an exact science when we put together the cost of regulation and that it is really an estimate that we put together so that we could get a rough ballpark sense of what these costs might look like and track them over time and by size of business. You'll notice that most of our breakouts are by size of business. Our study showing the regressive nature of the regulatory burden is consistent with OECD work that has also shown how the smallest businesses pay the highest per-employee costs.

We feel fairly confident that we have a ballpark sense of these things and also that the smaller businesses pay higher per-employee costs, which makes sense. They don't have the same number of employees to spread the costs over.

• (0940)

Mr. Terry Sheehan: With surveys as with anything.... I used to manage an enterprise centre with a small business arm and the economic development agencies in Ontario. Small businesses, rightfully so, being as busy as they are doing what they do, have always said that they have a hard time filling out surveys or whatnot. Do you undertake to engage with them, to sit and talk with them, and that kind of stuff?

Ms. Laura Jones: Yes, we regularly survey our members, and I would say we're pretty good at it.

Having said that, on the survey on the cost of regulation, again, we've always been clear that it is an estimate. It came out of our frustration that governments themselves weren't measuring or doing anything about it. In an ideal world, we would be doing a simple regulatory count, but it does take some resources, and it's beyond the resources we have to do that, which is why we're encouraging governments to measure.

Mr. Terry Sheehan: It was good. In one of your slides you mentioned that even the perception of regulatory burdens prevents some people from starting small businesses. It just seems like a big mountain to climb. I get that and that all governments need to work together to help people get there.

The Canadian Federation obviously has been at this for a very long time, and they analyze this federally, provincially and municipally. As a former councillor, I know that. You put the axe down, but you also hand out the Golden Scissors Award. I was pleased to see this year that it was Scott Brison and the Treasury Board who won the golden scissors, so I want to applaud you for pointing out that you also give people check marks on stuff.

Could you explain just what the golden scissors program is and how the Treasury Board received those golden scissors?

Ms. Laura Jones: The Golden Scissors Award is something we started a number of years ago to recognize good work in the area of cutting red tape. It's not politically all that glamorous to cut red tape, which is one of the reasons we don't always see a lot of action in this area, so a number of years ago we thought that it's one thing to point out the problems—of course, we're good at that, and we like to do that, too—but that we also needed to start rewarding people who are doing good work.

That's really what the golden scissors is about. We're pleased with a number of elements of the regulatory modernization work that's going on, including one of the recommendations that I think everyone here is making, which is to set up an external advisory committee. That's something we've been wanting to see, as well as some of the other structural pieces that are happening under regulatory modernization, including the omnibus bill. We're very pleased with that as part of the solution, but we also believe that more needs to be done in this space.

Canada is a bit of a leader. We're really at the beginning of the beginning of the work that we need to do, but many developed countries aren't even at the beginning of the beginning. Canada has been a leader, and I think we should all be really proud, too, of the non-partisan nature of a lot of this work, the passing of the one-for-one requirement with all-party support, and committees like this looking at the issue. When I go down and talk about this in the United States, that is certainly something they are really envious of, and the Golden Scissors Award is part of that.

The Chair: Mr. Albas, you have five minutes.

Mr. Dan Albas: I just want to put on the record that I believe Mr. Baylis has raised a very good point. I have heard politician after politician telling businesses they need to innovate, yet businesses innovate every day. It's government oftentimes that doesn't look at its own processes to see if there are better ways to do things. I certainly agree with my colleague that that's one area where I think we can do better.

Moving on to other items, Mr. Greer, you mentioned the Canadian Free Trade Agreement. I think it's absolutely ridiculous that we would say we have a free trade agreement within Canada, given the large number of exemptions in it. Have your members seen any significant movement in terms of reduced red tape right across the country directly from that agreement?

Mr. Ryan Greer: Our members haven't seen much. A big problem with the CFTA, compared with a traditional international trade agreement, is that the CFTA is not an end state. An international trade agreement spells out what the agreement is, whereas the CFTA is a sort of promise of new processes and new ways to help reduce the burden.

We're a little less concerned about the exemptions. They're there; they're public. We have the ability and other stakeholders have the ability to question governments and ask why a particular exemption is there and push them to try to get rid of them.

For us, it's actually all the small regulatory differences that aren't talked about in the agreement, which are supposed to be negotiated through the Regulatory Reconciliation and Cooperation Table. That table is staffed by mid-level and senior-level officials from all governments, who have a great amount of good will, but there are all

kinds of loopholes built into that exact process. This was the only way, I guess, that they could reach an agreement, but there was nothing to mandate regulatory alignment when it was being negotiated. There's nothing that mandates, to go to the example of autonomous vehicles, that new areas of regulation should be aligned. Governments can thus decide at any time that it's not in their interests to do so. The level of justification needed from any jurisdiction to say that they don't want to align is just that they believe it not to be desirable for their jurisdiction. That's a pretty low threshold: “desirable” is whatever the minister or the premier thinks it may be at a given time.

In our mind, in many ways the regulatory reconciliation table has the opportunity to be the linchpin to the deal. It can be like the old agreement on internal trade, which was negotiating a slow incremental process that isn't meeting anybody's needs, or it can be an opportunity for there to be a great deal of political will between the Prime Minister and the premiers and senior-level officials to drive for regulatory alignment.

In our mind, the best way to do this is to commit to mutual recognition. This is what Australia did in the early 1990s when Canada decided to go the route of the AIT. There's no reason that in most areas of regulation the provinces can't say, we will agree to recognize the other standards as if they were our own. After you've done that, you can then take on the long work of trying to actually harmonize some of those standards.

There are very few instances in this country in which a regulatory standard in one province would not be sufficient in another. I recognize that a trucking standard to get through the mountains in Alberta might be different from trucking standards in Saskatchewan, and there will always be legitimate health and safety reasons to have differences. The current high degree of small differences across almost every area of regulation, however, is unnecessary.

As currently constructed, we're not confident that the CFTA is going to make sufficient progress on those differences.

● (0945)

Mr. Dan Albas: The process in place, then, has a number of loopholes that allow provinces basically a “get out of Confederation” card when it comes to having joint standards that apply across—

Mr. Ryan Greer: Yes, there are opt-outs built in to say that if a province believes it's not desirable, they can opt out of a joint reconciliation process—or even a process to develop common standards in a new area of regulation.

Mr. Dan Albas: Bill C-21 was the Red Tape Reduction Act in the last parliament. Obviously, I strongly supported that bill.

There is a difference, though, between what Mr. Masse was referring to, in terms of regulations, and administrative compliance. The way the Red Tape Reduction Act works, at least at the federal level, is that it actually will find out how much time and energy...

For example, if it takes x amount of time by a professional to submit paperwork, it monetizes it, rather than using a straight-up one-for-one substitution, whereby we would say, "Here's one new piece of paper on the books; we need to take one piece of paper out."

Ms. Jones, can you explain whether there's a difference between British Columbia's system and the federal system, and also the American system? I'd like to hear what your views are and which one is the most desirable and effective. I imagine that two-for-one sounds better than one-for-one, but if it's simply a case that we'll shrink the font size and say we've reduced the red tape provisions, I don't think it's what business owners are looking for.

The Chair: We're over our time, but I'll give you 30 seconds to answer.

Ms. Laura Jones: Okay.

You're absolutely right that what you measure matters. Let me give you a very high-level overview.

The American one-for-one is super-narrow. Literally, less than 1% of the regulations—actually, government rules come from many other sources—are technically eligible for it, so the American one-for-one is not a recipe to follow. I know it gets a lot of attention, but it's not a recipe to follow.

The Canadian one-for-one is significantly better than the American one-for-one, but is still in our view too narrow and needs to be expanded.

B.C.'s one-for-one is the broadest one-for-one you have, because they literally look at regulatory requirements, so that such things as having to put your name on a piece of paper counts as one; if you have to have a safety committee, that counts as one. It's any kind of regulatory requirements. It's quite comprehensive and quite broad. If you want to go to something even broader than that, look at Manitoba.

● (0950)

The Chair: We're going to move to Ms. Caesar-Chavannes.

Mrs. Celina Caesar-Chavannes (Whitby, Lib.): Thank you very much to each of our witnesses.

In previous slides it was mentioned that we should set a target for reducing red tape at 25% over three years. I'm wondering if that leads really to another metric, perhaps regulations that are more costly or that take more time, impede growth or exports, or wherein there is a correlation between business size and the costs of compliance, as opposed to the rate of progression that we saw on the slide. Is the 25% what we should be looking at, or should we be looking at another metric?

Ms. Laura Jones: That's a great question. There are already pretty good checks in place when it comes to some of the bigger regulations, although there are some significant other problems, which Ryan talked about, with respect to confusing policy and project approval. In that space there are some significant challenges, but when it comes to a big, new regulation, typically a cost benefit is required and you have a fair amount of study. It's not that it can't be approved, but when we talk about the 25%, we're actually suggesting that you have a simple, very broad measure that can capture the

number of requirements on forms, for example, which you wouldn't do with a cost-benefit analysis.

The reason this is important is that when you have a form that's eight pages long and that could instead be two pages long, while that one example might not be that problematic, when you start multiplying that out across the whole system, then you're getting this kind of death by 130,000 cuts that Ryan was talking about.

Mrs. Celina Caesar-Chavannes: I noted something in figure 7. I don't know which slide it is, but in figure 7, you cite costs of \$6,000 per employee for a business with fewer than five employees. Is the bulk of that cost in there the eight pages? I just want to know what that cost is related to.

Ms. Laura Jones: Yes, for smaller businesses it would be anything they might have to comply with, so this would include their records of employment, their tax forms, any—

Mrs. Celina Caesar-Chavannes: That's measured in the time taken to do—

Ms. Laura Jones: Yes, time, and then we convert that to a dollar cost, but for smaller businesses, there would be a lot of those little compliance forms or records of employment, tax compliance. Statistics Canada surveys would be included in there.

Mrs. Celina Caesar-Chavannes: Of course.

Figure 16 talks about the social cost of regulation. You talked about B.C. They cut their regulations in half and had better outcomes. Did you measure if there were more innovations? We talked about the innovation side of things. How did that play out in B.C. and is there a way to measure that?

Ms. Laura Jones: That would be a great study to do. Actually the Mercatus Center in the U.S. is looking at what happened to economic growth and the kind of economic growth that stimulated in B.C. I'm not going to claim this is causal, but I will say that they cut the rules in half and the economy turned around from one of the worst-performing economies in Canada to one of the best-performing economies in Canada. Again, we can't claim causation because there were a number of other things going on, but that did happen, and health, environmental and safety outcomes were maintained at very high levels in the province.

What that does tell you is that you can have fewer rules with high levels of health and safety and a growing economy.

Mrs. Celina Caesar-Chavannes: I get that. I'm trying to figure out how the innovation side comes into play, because when innovation starts to spur, I'm wondering if you have what you were referring to earlier, where you have these regulations popping up. You could cut them in half, but you want to see that innovation, so it will be a good study to see what happens on the innovation side of things if you cut regulations in half. I'm not assuming that things just get stagnant, but that there is some innovation. How does that play out in terms of the regulations today?

Ms. Laura Jones: It's a great question, and I have two observations. One, unfortunately, is that the state of the data is so bad that we can't yet do that kind of study.

My second observation would be that when we ask small business owners what they would do with the time if it were freed up, there is a host of things we hear from them about, including “More time for my business, more time serving my customers, more time planning and less stress, and I'd be spending more time with my family”, I think also makes us more innovative. When you hear what business owners say they would do, it certainly speaks to innovation being part of that package. It's not the only thing they would do with the extra time, but it certainly suggests you would have more of that.

• (0955)

Mrs. Celina Caesar-Chavannes: Am I done?

Thank you very much.

The Chair: We're going to move to Mr. Masse.

Mr. Brian Masse: I have a couple of quick questions.

I'll go back to your conclusions and recommendations, including that we need to ensure that there is adequate communication of existing and proposed regulation. Have there been any thoughts, as we move to the digital age, about how new regulations might be worked in with that component to be more efficient in whatever model is picked, or whatever we decide? We've all heard about the paperless society. We're still waiting for that. As we move to the digital age, though, and more online services happen within the government, there are issues with broadband and access and so forth.

I'll leave it to both of you to comment on that.

Ms. Corinne Pohlmann: The first thought that comes into my mind is to allow business owners to actually email CRA; it's as simple as that. There are things like that. You still have to have a fax machine to contact the CRA; it's pretty antiquated. It's even simple things that would allow businesses to be able to communicate, and then if you're doing electronic communication, you don't have to wait 10 business days to get a response. These are the types of processes that still exist within government and that are stuck in the eighties and nineties.

Mr. Brian Masse: I'd like you to give just one thought. Would it be easier to do a test drive with one particular department, so to speak, as the best practice, or do an across the board kind of thing, with a minimum number of things to be done? I don't know if that has been thought of, whether it's a pilot project...especially in the digital age.

I'll also let you speak, Mr. Greer.

Ms. Corinne Pohlmann: I was going to say that I think CRA is probably the best department. To be fair, they are trying new things. They've created My Business Account, an online portal for businesses to use. We're pushing them more and more to use that because it allows businesses to communicate electronically with government through that means.

I only touch on them because they have the biggest impact across.... They are the department, and to be fair, they are trying new things. We try to work with encourage them. They've tried apps as well, those kinds of thing, which haven't really worked. But I think continuing to be innovative in that regard is an important piece of how government can better service small business owners. They work on their smart phones now; they don't work at computer desks anymore.

Mr. Ryan Greer: I would just add that it's perplexing to so many companies why, when they're providing information to the government, they need to have 12 different logins for 12 different websites for different departments, with different passwords for each one. Some of those remember who you are when you sign in; with other ones, you need to fill in the same information every single time. There's no tombstone data.

I know there are a lot of tricky aspects to the federal government's own ability to share information within itself, but it's very challenging when you're dealing with the government. In fact, you're actually just dealing with dozens of different entities, all of whom communicate with you and interact with you in different ways, which causes a lot of headaches.

Mr. Brian Masse: Thank you, Mr. Chair.

The Chair: I would actually like to ask a question here.

On page 7, you ask which federal government regulations are most burdensome to a business. On the fourth line down, it's the record of employment, which I know that you do online; you don't have to do them by hand anymore.

How do you see that? Do you see that as reducing the burden? They have to get done in some way or another. Is that an innovation that you see has happened?

Ms. Corinne Pohlmann: Yes it is, except to actually get into the system you used to have to go through quite a lengthy process. You had to actually get the password to get into the system, so there was that hurdle to get over. They've recently changed that to make it a little easier so they can email you a password to go through. It's definitely an improvement, because it's now electronic and there's no paper, but the process is still the same. There's still the question of why we are producing eight million of these per year when only about one million are actually needed. Not everybody who gets an ROE is going to go on employment insurance, which is ultimately what it's for. There are all kinds of things. I think it's one of those areas that we need to rethink. Is this process still the best process for what we need to do? We have lots of questions around that as well. We're trying to work with ESDC to make some adjustments there.

The Chair: I do know there was the push to get one code that would get you into all of the services. As a small business owner myself, I've felt the frustration of that. Being able to access those services online has certainly made things a lot easier if you have the right code.

Thank you.

We only have some questions left on this side, so we're going to start with Mr. Longfield.

• (1000)

Mr. Lloyd Longfield: How much time do I have?

The Chair: You have seven minutes.

Mr. Lloyd Longfield: Great. Thanks. I'll be sharing my time with Mr. Sheehan, as well.

Thanks for your testimony. It's good to see the CFIB and Canadian Chamber of Commerce working on the same issue and to see a lot of commonality between the two organizations. Sometimes that isn't the case, as I know from having worked in the network as much I have. It's good to see you working together on this.

I'm really interested in the process piece. The examples you've just given us seem like examples that would be very good in a report going back to the CRA asking for tombstone data. For me, the worst part of running a business was the paperwork. The worst part of being an MP is the paperwork. I don't like paperwork, and I'm not good at paperwork. That's probably why I don't like it.

To make it simple for business to implement ideas like that, maybe we should have a testing ground because we don't want to do something that's going to make things worse. Is having some kind of a sandbox, or some kind of a test group to run new ideas past, something that your organizations have advocated for or considered, be a good idea?

Mr. Ryan Greer: Yes, we've long pitched that you need to try new things, whether they're risk-based, outcome-based, regulatory sandboxes or iterative processes. Those are important to try to find out what works. Departments try sometimes to do that, but they're incredibly risk-averse. Why risk a knock on the door from the Auditor General when you can just layer on an extra two or three layers of red tape for the end user?

A lot of times, those attempts aren't successful, with the federal government actually itself assuming risk in trying something new that perhaps it may need to adjust. It may not get the outcome it hoped for. It may need to narrow its focus on the bad actors. Part of that requires governments themselves to change some of their thinking in how they will accept the risk of actually trying something new that isn't just a different approach to layering on differing kinds of burdens.

Ms. Corinne Pohlmann: I'll just add that pilot projects in the federal government sometimes tend to go on and on, and that's the other thing. You need to do it for a two- or three-year period, and assess it and make a determination to continue it or cut it off. Unfortunately, that often doesn't happen in government, but we're big promoters of trying those things.

I'll give an example of another department. The Atlantic immigration pilot project, I think, has been successful in cutting the red tape for businesses bringing in people from other countries. That kind of innovation needs to be encouraged, and we try to support those types of initiatives whenever we can.

Mr. Lloyd Longfield: That was brought forward by the innovative member of Parliament Alaina Lockhart, and now we're looking at doing that in northern Canada.

Ms. Corinne Pohlmann: Exactly, the rural and northern immigration pilot.

Mr. Lloyd Longfield: Exactly.

So, if we look at guiding principles.... The Conservative members here have mentioned pricing pollution. They use different words than we do, but we're looking at how to reduce the impact of pollution. We need regulations around that. There's social impact, as well, when we're consulting on pipelines. We're working out our

relationship with indigenous people, including the non-elected indigenous people who were missed in the first round of consultation.

The consultative process, making sure that we have the right social and environmental impacts, as well as economic impacts, has to be part of regulations. We can't avoid those other two. We'd like to focus on profit all of the time, but really, we have to look at the others as well.

Ms. Laura Jones: I think that's very true, but I think that one of the challenges in these processes is time, and for any business—and I think this is a big gap between government and business—time is money. So, it's the uncertainty. I don't think the optimal answer to every project is “yes”, but it's not “no” either. Certainly, the amount of time it takes could be reduced, while still maintaining some of the important consultation pieces that you're talking about.

Mr. Lloyd Longfield: Right. Thank you. I've taken up Mr. Sheehan's time.

The Chair: You have three minutes.

Mr. Lloyd Longfield: Oh, is that okay?

The Chair: Yes. You had seven, not five.

Mr. Lloyd Longfield: Oh, yes, that's right.

Thank you both.

● (1005)

Mr. Terry Sheehan: My question is for Ryan.

Thanks again to the chamber for presenting.

With regard to the fall economic statement—the mini-budget, if you will—the chamber's response was that it was pleased, for lack of a better term, that much of what was in its report that you referenced, “Death by 130,000 Cuts”, was included.

Could you please explain to the committee which of those recommendations you thought were the most important, or could you expand on the recommendations themselves in the fall economic statement?

Mr. Ryan Greer: First, I think Minister Brison and Treasury Board deserve a tremendous amount of credit for what was in the fall economic statement and their work to get that in there. Now it all comes down to implementation. These are promises, and now we'll see how these are fulfilled. We think some of these could be real game changers.

I mentioned in my remarks that I think the biggest one is giving economic growth and competitiveness mandates to all regulators. Every day our members are contending with regulators who, no matter what evidence or cost they're presented with by companies or members, will say, "Our job isn't to do that. Our job is only focused on this." They're not trying to achieve both that protection and prosperity in their mandate. If that commitment is implemented in a way that actually adjusts proportionality, adjusts some of the ways that regulators think, and helps all regulators endeavour to promote economic growth, then that could be the biggest game changer.

That was inspired by us asking for that. The department's thinking was that the U.K. implemented something similar—a growth duty—for the same reasons that we were asking for this: that too many regulators were not being proportionate and were not considering the business impacts in their activity.

The flip side of that is if a lot of departments and regulators see it as a symbolic commitment. If it's legislated and they say they already do a cost-benefit analysis that determines why they take a certain approach, and that this won't change the way they do business, then we may not get much out of it. We think that's big, along with the CFIB's talking about a business-facing group that can propose simplifications.

I mentioned in my remarks that implementation here is key. The Danish Business Authority uses the "comply or explain" principle, which we really like. Too often governments will commission expert reports or committee reports, and then they cherry-pick the things that most closely align with their existing priorities. "Comply or explain" means either you do it, or you tell us publicly why you won't. We like that. We think those are two of the biggest....

I know Minister Brison was particularly fond of an annual modernization bill. That can be useful. Again, it depends on what processes feed into that, how that will interact with the one-for-one, whether departments will be incentivized to hold back regulations from that so they can account for their one-for-one, or how they will be reconciled. There are enough measures in there that could be real difference makers, if implemented correctly. For us now, it's about seeing how Treasury Board and regulators themselves will implement those commitments.

The Chair: We have Mr. Baylis and then Ms. Caesar-Chavannes.

Mr. Frank Baylis: I have a couple questions, and then I want to drop into your list of recommendations.

Mr. Greer, you mentioned the fact that you have to input data over and over again. Are you familiar with Estonia's digital government model? They are the most advanced in the world in terms of digital government. They have a rule, for example, that you can only ask a question once. You can't re-ask the same question. If you asked me A, B, C, then it's somewhere in our system. No other department has the right to ask that. Would that address something like you're mentioning?

Mr. Ryan Greer: Certainly the idea that if you provide information at one time to the government and that they're not going to ask you for that information again until it needs to be updated seems like an ideal end point. With the size of our federal government, the challenge is implementing large IT transformations. Privacy and data issues between departments make all of that very

difficult, but that principle of fewer touchpoints and common usage of fairly standard information is a desirable end point.

Mr. Frank Baylis: It's a foundation that they've built their digital government on. You're not allowed to double-ask.

Mr. Greer, I think you'd made another point about the concept of prosperity not being in the mandate. For example—and I've shared this with my colleagues here—look at the regulation of drugs. Canada, the United States, and Europe have in their mandates that they have to make sure that their populations are safe, but they also have to get innovative medicines through. They have that in Europe. They have the word "innovation" again in the FDA for food and drugs in the United States. When you come to Canada, it's just, "Keep us safe." When you go there and say, "Hey, I have a way to be more prosperous, more innovative", they say, "Well, good for you."

Would it be a good idea to write that into the mandate? We talk about true action to change the regulators' actual mandates.

● (1010)

Mr. Ryan Greer: Yes, absolutely.

I think the ongoing Patented Medicine Prices Review Board regulations are a perfect example of this. The department has come out with regulations. It says that the objective is to lower drug prices. It presents the analysis that underpins that. It went to industry and asked for industry feedback. Industry says they think there will be negative impacts on employment, innovation and investment. They think there will be a lot of problems with what this will mean for the pharmaceutical industry in Canada.

The output from the department is that the original analysis was right. Somewhere along the way there's somebody who's not being told that they need to sit down with industry and try to come together to determine what the real impacts of this will be and not pretend that there won't be these impacts just because we have the social objective of trying to lower drug prices.

That's a perfect example of why 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.

Mr. Frank Baylis: Would you like to add to that?

Ms. Laura Jones: I think you're on an excellent line there, that overall, the objective has to be to keep Canadians safe and encourage innovation and prosperity at the same time. It has to balance those objectives and find better ways to do that and to create what I think is a culture change that's needed in government along those lines.

Mr. Frank Baylis: So we should actually write into the regulator's mandate that it's not just about keeping us safe.

At some point... I can give you an example that I know of, going back to drugs: we don't have pediatric formulations in Canada because we're keeping people safe, but the reality is that we're not keeping our infants safe, because people just say to take a pill and cut it in four and that's good enough because we can't get the pediatric formulations through. We pretend that we're keeping them safe, but we're just keeping things out that might actually be safer in some ways.

Would you be happy to see us write in the mandate, "drive innovation to take responsibility for economic growth and innovation"?

Ms. Corinne Pohlmann: I was going to say that one 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.

Mr. Frank Baylis: Let's look at the other recommendations for change in the regulators game. You've come up with one, a 25% reduction in three years. You'd like that to be mandated by department, including the CRA I suppose?

Ms. Laura Jones: I'd like to see that across government and that it be reported by department. It would start with a simple count—

Mr. Frank Baylis: Would each department have this objective, or the government as a whole?

Ms. Laura Jones: Well, the government as a whole.... You could do it either way. You could do it as the government as a whole and then each department would have to hit the 25%, or you could have some horse-trading within the 25% where it makes sense—

Mr. Frank Baylis: Cap and trade.

Ms. Laura Jones: Yes. It may be harder for some departments to get to 25%, but for others that may be an easy target. That would be fine, but the important question is 25% of what—25% of a very comprehensive measure that can't be gamed, or—

Mr. Frank Baylis: You mentioned B.C. and which other province?

Ms. Laura Jones: I would look at B.C. and Manitoba. Those would be the two I would look at.

Mr. Frank Baylis: B.C. and Manitoba have done this very well, and as you've mentioned before, that's been reflected in your surveys too. If I understand, the reduction of—

Ms. Laura Jones: Yes, we have less concern about the regulatory burden in B.C. than we have in most other provinces. That's going to go up and down, depending on the government, but that's certainly been where we've been at.

Mr. Frank Baylis: Your one-for-one and moving on to one-for-two—can you elaborate a little bit on that and what you'd like to see specifically?

Ms. Laura Jones: I think the most successful approach to this has been in British Columbia where they had two-for-one and between

2001 and 2004 they cut by 36%. That created a culture change. There was no longer any need... After two-for-one hit, the 36% reduction, regulators had to do one-for-one after that, but I said that they're down to 49%. There's no bigger indication to me that you have a culture change within government. The government continues to identify more to reduce—

• (1015)

Mr. Frank Baylis: They did two-for-one, then they moved to one-for-one, but they kept going down. Is that what you're saying?

Ms. Laura Jones: But they kept going down.

Think about what that means. In most cases, regulators are continuing to pile on the rules. In British Columbia, they have continued to find things to cut faster than they are adding. It doesn't mean they're not adding—they are adding—but they've continued to do that. I think that's a very powerful statement about a culture change within government.

Mr. Frank Baylis: Thank you, Chair.

The Chair: Finally, we'll go to Ms. Caesar-Chavannes.

Mrs. Celina Caesar-Chavannes: Mr. Greer, when there was a question about the price on pollution, you mentioned that the chamber has been advocating for that since 2011. I suspect that is because there are some advantages for businesses to be a part of that green economy, right?

Mr. Ryan Greer: Yes. Principally, if you're going to impose costs on companies to reduce greenhouse gas emissions, carbon pricing is an efficient way to do it. We've always said that needs to be accompanied by a reduction in the regulatory burden and controls placed on those companies, if those are determined to be a less efficient way to do so.

Mrs. Celina Caesar-Chavannes: Would that 25% be what you're looking for, then?

Mr. Ryan Greer: There is no target associated with carbon pricing specifically.

Mrs. Celina Caesar-Chavannes: Are the 450 federal rules that were reduced earlier part of what you're looking for the government to do?

Mr. Ryan Greer: It's challenging, because at the same time as there are other rules being amended—issues such as the clean fuel standard and new methane regulations, which will impose very high costs on members and life-cycle accounting of fuel—there are a lot of unknowns and uncertainty. A lot of the focus has been on trying to understand what those costs will be, in addition to carbon pricing.

Mrs. Celina Caesar-Chavannes: I just want to put on the record a number of the initiatives we have done for businesses, such as allowing them to immediately write off the full cost of machinery and equipment used for manufacturing—allowing businesses to write off immediately the full cost of specified clean energy equipment—and, again, reducing those 450 federal rules that impose administrative burdens.

There are a number of initiatives that have been getting credit card companies to lower fees, etc., and of course our free trade agreement. Are we not doing a good job at communicating that? I heard that perhaps that is not getting communicated. How are these counter-acting, as you put it, the cost and burden balance between the price on pollution—knowing that we need to go there, because everybody is advocating for it—and these initiatives we're taking to help small businesses grow?

Mr. Ryan Greer: There are a couple of things. First, I think this goes to what Laura was discussing, in terms of regulation in and regulation out. Without an accurate measure, it's incredibly difficult to determine where and how we're trending, other than what we hear anecdotally from our members, or through surveys, such as what the CFIB does.

One way to actually get a true picture of that is understanding it. In a complex operating environment, you're seeing a burden reduced in one area, but at the other side you're trying to understand what new costs will be imposed through any number of different regulatory initiatives under way in multiple departments at different levels of government. It's a lot for companies, and they sometimes feel besieged.

It's hard, especially for smaller members, to weigh in on those regulatory exercises, to let the department know that although the new initiative may seem innocuous in and of itself, it's the ton-of-feathers problem. It's being layered on top of all of these other ones that exist. For us, the big piece around determining how good a government is doing would be setting a measure that makes them publicly accountable, so that departments and the government itself can understand what progress they're making.

Mrs. Celina Caesar-Chavannes: Yes. Thank you.

I'm good, Mr. Chair.

The Chair: You have about one minute.

Mrs. Celina Caesar-Chavannes: I have one minute?

Does anybody else have any other questions? I'm cool with my questions.

• (1020)

Mr. Frank Baylis: Sure.

I want to look at the CRA specifically as low-hanging fruit, if we can say that. If you were in charge of CRA for a couple of years,

how would you handle dealing with all of those issues that we saw there? What would be the low-hanging fruit at CRA?

Ms. Corinne Pohlmann: It's funny, because to prepare for this... CFIB has a counselling service and counsellors across the country respond to inquiries from our members. We do about 36,000 calls a year, and inquiries regarding the CRA account for probably one in every four of those calls. I had my colleague put together a list of specific examples, which I have here. CRA accounts for probably two-thirds of the list.

It isn't about one or two small things. Many different areas need to be looked at. When it comes to CRA, it can start with things as simple as better customer service, plain language on the website and clarity around what constitutes compliance.

Yes, we could also potentially simplify and reduce the rules, but with the CRA, it's often about communication. It's about business owners being more able to get the answers they need. It's up to them. They'll call CRA. They may be on hold for a while, although the CRA has just improved its system there. They get an answer, but there's no guarantee it's the right answer. They apply that. They're still in trouble. It's these kinds of things. It's really about simple, plain language.

Our members send us letters that they get from CRA, and we cannot understand what they're telling the business owner to do. Plain language, easier communication, the ability to go to them beyond just a phone call—if CRA advanced in those areas, it would probably reduce some of their burden by 25% or 30%.

Mr. Ryan Greer: I would just add, in agreement with all of those, that the chamber is releasing a report next week on the need to modernize our tax system. I think simplifying and modernizing the tax system itself would be a big help.

One of the other things we're going to recommend in the report is to provide small companies with a specialized case option to assist them with their unique issues. This would be helpful. You have too many small businesses that often have to spend limited resources on tax accountants and lawyers to resolve some of these unique issues. Sometimes it sounds like it's a defeat that we need to come up with these new concierge services to navigate the complexities. However, doing that, combined with actually trying to make the systems simpler themselves, would go a long way.

The Chair: I do have another question, and then we're done.

B.C.—my home province—has been brought up numerous times for the work it's done to cut regulation and so on. Who would you recommend that we bring in to give us a lot more in-depth information on that?

Ms. Laura Jones: There are a number of people you could talk to in British Columbia, but I think the assistant deputy minister, Christine Little, would be a good person to bring in. She has a number of good staff. These are current staff. There are also staff who were there nearer the beginning, when they set up the model. That might be useful, as well, because there have been some changes, and there were some challenges at the beginning that were different from the challenges they face today.

I think it would be very good to hear from some of the people in government who are responsible. They'll tell you about the culture change that I'm talking about and how empowering it has been for them to be rewarded for making life easier for citizens—not just businesses, by the way. I think that's an artificial distinction. I really think that whatever you're going to do in this space, you should go broad.

There were a number of changes, and I've actually changed my own thinking around this. I used to say, "Oh, it's just a small business issue", but a number of things they've done in British Columbia.... One of the things they recently did was to streamline, to get rid of a lot of, the red tape around what happens and all the reporting you have to do when a loved one dies. That's something that everyone

can nod their head at. It affects you if you're a business owner, for sure. A lot of businesses are family businesses. It affects all citizens. It's really about improving the relationship between government and the citizens it serves. I think it would be great to bring some of them in.

The Chair: Thank you very much.

Thank you to our witnesses today.

Before everybody goes, we have to pass a study budget, so everybody, please stay in your seats.

Thank you very much for coming. We're looking forward to continuing this study.

Mr. Sheehan, do you have a motion for us?

Mr. Terry Sheehan: That's a good segue to the budget

I'd like to propose a budget in the amount of \$13,800 for the study of the impact of Canada's regulatory structure on small business.

● (1025)

The Chair: It was emailed to all of you.

Is there any debate?

(Motion agreed to)

The Chair: Thank you all very much. The meeting is adjourned.

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