

FINAL WORD ➔ BY MARNI SOUPCOFF

Red Tape Confetti

When Canada passed its Red Tape Reduction Act earlier this year, several of my fiscally conservative American friends contacted me (a Canadian) to express congratulations and envy. They were thoroughly impressed that the Canadian government had made it law that, for every new federal regulation adopted, an existing regulation of similar cost must be removed.

I could see where these excited observers were coming from. If this law ends up easing Canada's regulatory burden, then it will indeed be a welcome development. But I felt a bit like a bewildered teenager whose friends are heaping praise on her for having the hippest, most with-it parents ever. "Yes," this teenager thinks, "my mom and dad *did* buy me a new tablet. But they also share a flip-phone from 2005 and think Tinder is a website about building campfires." Because, really, when you think about it, how significant will the effect of this one-for-one rule actually be for Canadian businesses and entrepreneurs?

For one thing, consider who will be doing the measuring of the cost and burden that must be offset when a new regulation is put forward. If it's a bunch of bureaucrats, then forgive me for not being surprised when they vastly underestimate the amount of red tape being generated by the new regulation and overestimate the amount of red tape being cut by the old regulation they're nixing. As the author James St. James has said, "When you let the wolves guard the henhouse, there's bound to be a few chicken dinners." Regulatory costs and burdens are very real, but the totals can be very subjective depending on how they're calculated and measured.

For another thing, consider what we're

supposed to be celebrating here: even if this Red Tape Reduction law were to work exactly as advertised, the best outcome we could hope for is keeping the exact same federal red tape cost that we have now. That doesn't fit the definition of a "reduction" in any language but *bureaucratease*.

According to the Canadian Federation of Independent Business (CFIB), it currently costs businesses here in Canada more than \$37 billion (Canadian) a year to comply with all levels of government regulations (municipal, provincial, and federal). The CFIB figures that about \$11 billion worth of those rules could be eliminated "with no negative effect on important health, safety, and environmental objects of regulation." That does sound pretty reasonable to anyone who's ever thumbed through a volume of the *Consolidated Regulations of Canada* and wondered about the necessity of acquiring a permit to possess eiderdown.

Why then are we breaking out the confetti and streamers over a law that guarantees that Canadian businesses will *continue to be penalized at least \$37 billion annually for as far into the future as we dare imagine?*

It's worth noting that although the Red Tape Reduction Act just became law this year, the federal government has been using its dictates as operating policy since 2012. Yet there has been no palpable sense that Canada has become more business-friendly over the past three years. Indeed, the CFIB has estimated that the cost to businesses of complying with government regulations increased by more than \$5 billion during that time.

Maybe that wasn't the federal government's fault. Maybe all the increased red tape was generated by the provinces and municipalities. (Ever take a gander at municipal licensing regulations? There's no surer or quicker cure for a case of budding entrepreneurship) Still, if the majority of Canadians' costliest regulatory burden comes from lower levels of government in the first place (as seems likely), then that's all the more reason not to overdo the high-fives over the feds' one-for-one rule.

I know I'm being a downer about a law that, in theory, should be better than nothing. Perhaps without the one-for-one rule, it would cost Canadian businesses \$40 billion to comply with regulations instead of \$37 billion. At least now there should be a steady, rather than growing, number of federal regulations on the books.

I just wonder whether being slightly less terrible than otherwise anticipated is really the regulatory approach that any of us—Canadian, American, or otherwise—ought to champion. If we let government claim that as a victory, then what hope is there of ever actually pruning regulations to the point where they're not actively stifling growth?

Don't get me wrong. It's delightful to have the tables turned and see Canada's leaders being lauded by jealous Americans for being more pro-market than their own politicians. Just remember that everything's relative. R

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