



Strengthening of Economic Competition and Regulatory Improvement for Competitiveness in Mexico

Case Study on British Columbia, Canada¹

Successful Practices and Policies to Promote Regulatory Reform and Entrepreneurship

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1. Broad Description of British Columbia's Economic Performance:

British Columbia (BC) is Canada's westernmost province with a population of 4.4 million people and a GDP of roughly CAD 192 billion (USD 176 billion).² This represents roughly 13% of Canada's population and economy. Vancouver is BC's largest city, with an ethnically diverse population, including many Asians. Ports in Vancouver and Prince Rupert provide strategic transportation links between Asia and the rest of Canada.

BC's small, open economy is heavily dependent on the resource sector including forestry, mining, oil and gas, and agriculture. Other important sectors include tourism, financial services, real estate, high technology and biotechnology, and film products. As a result of its location and natural resource wealth, BC's export markets are more diversified than other provinces, although the majority of exports (52% of goods exports in 2008) are still bound for the United States.

BC's economic performance improved markedly at the beginning of this decade: While the 1990s is known as BC's "dismal decade," when economic growth lagged the country, between 2002 and 2008 it was one of the better performing provincial economies in Canada. The turnaround in the province's economic condition is largely credited to business friendly policies implemented early in that decade.

1.1. General Structure of the BC Economy and Competitive Advantages:³

BC is a small open economy that is still heavily dependent on the resource sector, although this dependence is starting to lessen with the emergence of new sectors such as high technology, biotechnology, film products and tourism.

Its primary sector consists of forestry and logging, agriculture, mining and oil & gas extraction, utilities, and fishing, hunting and trapping. Historically, forestry has been BC's most important natural resource industry. However, it has been hard hit by the collapse of the US housing market and the high value of the Canadian dollar. Currently, it contributes 2.9% of BC's GDP. Mining and oil & gas extraction contribute 3.2%. Utilities (1.8%), agriculture (0.9%) and fishing, hunting & trapping (0.1%) also contribute to BC's economy.⁴ Resource industries (including secondary manufacturing) remain the most important source of export earnings for BC.

The secondary sector, manufacturing and construction, contribute 12.1% and 6.2%, respectively, to BC's GDP. The most important contributors to GDP in the tertiary sector are finance, insurance and real estate & leasing (22%), and wholesale & retail trade (11.3%). Other contributors include health care & social services (6.5%), transportation and warehousing (6.3%), information, culture & recreation (5.2%), educational services (4.7%), and professional, scientific & technical services (4%).

2. All dollars are US dollars. To convert from Canadian to US dollars, the exchange rate at the end of September 2009 (CAD 1=USD 0.92) was used.

3. Data in this section refers to 2004.

4. www.guidetobceconomy.org/major_industries/goods_sector.htm

The main competitive advantages for the economy in the context of globalization include proximity to Asian markets, abundance of natural resources, good infrastructure, a highly educated labour force, and, since the 2001 election, more competitive tax and regulatory policies. It is also worth noting that Vancouver will be hosting the 2010 Olympic Games, which is proving to be a good marketing opportunity for the province.

1.2. Business and Jobs Creation:

Following the change in government and policy direction in 2001, which included substantial tax cuts⁵ and a commitment to regulatory reform, BC witnessed a turnaround in its economy, with the most impressive growth in business and job creation starting in 2003.

Ten years ago the unemployment rate in BC was 8.3%, considerably higher than the unemployment rate in Canada, which was 7.6% at that time. By 2004 the unemployment rate in BC and Canada was the same at 7.2%. Since then the unemployment rate in BC has been lower than the Canadian average. In 2008, the unemployment rate in BC was 4.6% compared to a 6.1% rate for Canada.

With unemployment rates in BC recently at record lows, one of the big challenges facing the province has been labour shortages. Between 1998 and 2008 around 456,000 new jobs were created in the province, with the majority of the jobs being created after 2002.⁶ The recent global economic downturn has increased unemployment and lessened labour shortage concerns considerably, but labour shortages are expected to return and persist once the economy recovers.

Business creation in BC showed a similar trend of improvement. The number of incorporations in BC jumped from 20,759 in 1998 to a high of 34,036 businesses in 2007. The number of incorporations in 2008 was a bit lower at 30,085, but still considerably higher than any time in the previous decade.⁷ The number of business bankruptcies in BC also decreased considerably over the same time period, from 1 031 in 1998 to 453 in 2008. The number of business bankruptcies has been falling in BC since 2003. An additional indicator of business creation, the number of new business establishments also shows a strengthening economy through most of the past decade, with the addition of roughly 12 000 new establishments between 2000 and 2008.⁸

1.3. Private Investment Trends: National and FDI⁹

Private investment in BC has increased relative to ten years ago in four major categories: residential investment, non-residential investment, machinery and equipment investment and business investment.

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5. One of the government's first actions on taking office in 2001 was to reduce income taxes by 25 percent across the board, eliminate the provincial sales tax on production machinery and equipment and eliminate its corporation capital tax on non-financial institutions. A number of further tax reductions to income and corporate taxes have been implemented that have made BC a much more competitive tax jurisdiction within Canada.
 6. Statistics Canada, Labour Force Survey.
 7. BC Stats.
 8. BC Stats.
 9. Foreign Direct investment estimates are not available for Canadian provinces.

Business Gross Fixed Capital Formation, which includes expenditure by business on durable assets, building and engineering construction plus residential construction by individuals, has improved from being below the national average between 1998 and 2003 to being above the national average since 2003. Much of this investment was residential. Non-Residential Gross Fixed Capital Formation has improved but at 12.7% of BC's GDP, is still below the Canadian average of 14.5% of GDP.¹⁰

Investment in machinery and equipment in real terms improved from an average annual growth of 5.3% a year between 1992 and 2000, which was well below the Canadian average of 7.9%, to an average annual growth of 7.3% a year between 2002 and 2008, above the Canadian average of 6.2%. Investment in non-residential structures improved from 1.1% average annual growth in the 1992 to 2000 period to 4.5% a year growth between 2002 and 2008, but stayed below the Canadian average.¹¹

1.4. Ranking of British Columbia in Competitiveness Indicators:

In the last decade BC has become increasingly competitive within Canada in terms of its tax, labour market and regulatory policies. Several competitiveness indicators including those put together by the BC Progress Board, the Fraser Institute, the Business Council of British Columbia and the Canadian Federation of Independent Business (CFIB) show improved performance within Canada throughout the past decade.

The BC Progress board was set up by the BC government in 2001 to produce benchmark reports that describe the province's standard of living, job performance, environmental quality, health outcomes and social condition relative to other provinces. Several important economic indicators from this report show improvement. Economic growth in BC was 1.9 percentage points below the Canadian average between 1994 and 2001 and 1.1 percentage points above the Canadian average between 2002 and 2006.¹² GDP has grown faster in BC than in Canada every year between 2002 and 2008. In the preceding period, from 1992 to 2000, real GDP growth was lower than the rest of Canada in six of nine years.¹³

Per capita disposable income in BC was CAD 544 (USD 500) below the national average in 2000. The latest Progress Board report shows BC's position has improved significantly, with incomes now \$60 above the national average.¹⁴ Until the last several years, economic growth in BC had improved relative to the rest of Canada. Net inter-provincial migration, another Progress Board indicator, has improved and went from negative to positive in 2002/03, a sign that BC's relative attractiveness as a place to work, live and invest in Canada has increased.¹⁵

10. BC Progress Board 8th Annual Benchmark Report, December 2008, p. 40.

11. Finlayson, Jock. BC Economy: A Retrospective. *Policy Perspectives* (April 2009).

12. BC Progress Board 8th Annual Benchmark Report, p. 19.

13. Finlayson, Jock. BC Economy: A Retrospective. *Policy Perspectives* (April 2009).

14. *BC Progress Board 8th Annual Benchmark Report* (December 2008). BC has ranked 3rd behind Alberta and Ontario on this indicator since 1998 but is closing the gap with Ontario.

15. *BC Progress Board 8th Annual Benchmark Report*.

A recent report from the Fraser Institute rates the province 3rd in its overall provincial investment climate index.¹⁶ The index considers how attractive a jurisdiction is for investment based on taxes, regulation, flexible labour markets and infrastructure. A third place represents significant progress compared to the last place position among Canada's ten provinces that BC occupied from 1999-2001.¹⁷

CFIB conducts a quarterly survey of its small business members across Canada to determine business outlook and confidence. Prior to 2001, confidence in BC was lower than the Canadian average. In December 2001, confidence among BC's small businesses started to track higher than the Canadian average. Until 2008, when confidence started to fall and track below the national average, BC businesses were among the most optimistic in the country.

According to the October 2009 Business Barometer, BC's confidence level (68.2) is once again above the Canadian average (67.0).

1.5. Key Economic Sectors:

This section examines sectors in which British Columbia has achieved outstanding economic performance in recent years, including oil and gas, mining, and the information and communications technology (ICT) sector.

Oil and Gas has emerged as a key sector in BC in this decade. According to the Canadian Association of Petroleum Producers (CAPP), the industry invested almost \$27 billion in BC over the last eight years resulting in 34,000 direct and indirect jobs.¹⁸ Recent years have seen new records being set in terms of the amount of land the industry is leasing from the provincial government and the number of wells being drilled.¹⁹ In 2008, for example, oil and gas right sales totaled \$2.44 billion, double the previous record of \$91 million set in 2007.²⁰ Exports from this sector have also reached record highs, jumping from \$4.6 billion a few years ago to almost \$9.2 billion in 2008.²¹ Energy is now the province's largest export category, replacing wood products which have been in decline. CAPP credits policy changes in BC, particularly targeted regulatory reforms and fiscal measures, for attracting investment that would not otherwise occur in the sector. Global energy prices and advances in technology were also important factors in the growth of the industry. CAPP predicts significant growth for the sector in the medium to long term once commodity prices stabilize.

16. *Canadian Provincial Investment Climate: 2008 Report*, The Fraser Institute.

17. *2001 Spring Survey of Senior Investment Managers*, The Fraser Institute (June 2001). Prior to using the index approach the Fraser Institute used a survey to ask investment managers their views on the same issues. For the years of overlap, the index and survey show similar results.

18. *Maintaining Momentum in BC's Oil and Gas Sector*, CAPP (May 7, 2009). www.capp.ca.

19. The number of wells drilled increased from around 200 in the early 1990s to more than 1,000 recently. In 2007, drilling activity peaked at 1,300 new wells.

20. *Budget 2009, Ministry of Energy, Mines and Petroleum Resources 2009/10-2011/12 Service Plan*, (February 2009), Government of British Columbia.

21. Finlayson Jock and Ken Peacock, *British Columbia's Global Linkages: A Snapshot*, (June 2009) Business Council of BC.

Mining is a historically important industry in BC that was in decline during the 1990s and has rebounded in the last decade. According to a task force on mining established by the government in 2008: “The provincial government has taken many important steps - improving its tax competitiveness, streamlining regulatory requirements and investing in the province’s geosciences mineral data collection and analysis - to enhance BC’s reputation as an important mining jurisdiction, and industry has responded with record exploration levels and the opening of new mines in the recent period of economic growth.”²² Further evidence that mining has improved: BC rated third for exploration and deposit appraisal expenditures in Canada in 2007 and experienced one of the fastest rates of growth in exploration spending among Canadian jurisdictions from 2002-2007.

British Columbia has a small but growing high technology sector. The sector represents about 5.9% of the province’s GDP and employs around 81,000 people or 4.3% of the workforce.²³ While the output of the sector is small relative to Ontario, Quebec and many US states, there are several world class clusters within the sector, including digital media, biotechnology, and “green” technology.²⁴ For most of the decade the high technology sector has grown faster than the rest of the economy.²⁵ Most of the activity and growth is in services although there is also some high technology manufacturing in the province.

Information and communications technologies (ICT) are the largest of BC’s high technology sectors. It includes wireless and new media, software development, and electronics and advanced manufacturing. ICT is a strong sector within the Canadian economy, with output growth in the sector averaging 8.4% since 1997, double the rate for the economy as a whole.²⁶ The success of the sector in BC is illustrated by its outperforming the rest of the country in the last decade in many areas including aggregate industry employment, growth of ICT goods exports and R&D spending.²⁷ An example of interesting activity in this sector is the emergence of a wireless technology cluster: three Vancouver companies were recently listed among the 50 fastest growing wireless companies in North America.²⁸

22. *Mining Economic Task Force Report*, (2008).

23. BC Stats, Ministry of Technology, Trade and Economic Development and Ministry of Advanced Education and Labour Market Development, *Profile of the British Columbia High Technology Sector 2008 Edition* (September 2008).

24. BC Stats, *High Hopes for High Tech: BC’s High Technology Sector in 2007*, Business Indicators (November 2008).

25. BC Stats, Ministry of Technology, Trade and Economic Development and Ministry of Advanced Education and Labour Market Development, *Profile of the British Columbia High Technology Sector 2008 Edition* (September 2008).

26. Finlayson, Jock. *Profile of the British Columbia Information & Communications Technologies Sector*, (February 2007).

27. Finlayson, Jock. *Profile of the British Columbia Information & Communications Technologies Sector*, (February 2007).

28. BC Stats, Ministry of Technology, Trade and Economic Development and Ministry of Advanced Education and Labour Market Development, *Profile of the British Columbia High Technology Sector 2008 Edition* (September 2008).

Biotechnology is another growing high technology sector in BC. In fact, BC is the seventh largest biotechnology sector in North America by number of companies and is home to around one hundred biotech companies including three of the world's most profitable, QLT, Angiotech and Aspreva Pharmaceuticals.²⁹ In 2006, BC attracted more than \$697 million of investment to the industry, higher than any other province in the country.³⁰

BC also has a number of firms working in the area of "green" technology, such as fuel cells and green buildings. Film production is another small but important high technology cluster. BC is now the third largest centre for production in North America.

2. Main Drivers for Regulatory Reform:

BC's most recent regulatory reform program started in 2001 when the soon-to-be-elected Liberal government campaigned on a promise to improve the business climate in the province, including making a bold commitment to reduce the regulatory burden by one-third in three years.

According to the author of this report, support for reducing regulation was broad-based as the general public was very concerned about the economic malaise that had been present for over a decade in BC. Too much regulation was often cited as a significant contributor to BC's economic underperformance in the 1990s and the province had a reputation within Canada for regulatory excess.

For example, the forest industry, one of the provinces main economic drivers, was burdened with a prescriptive forest practices code that was widely cited as a deterrent to investment. The mining industry was also suffering. In a 1998 survey of mining companies, British Columbia's overall policies scored *last* out of 31 jurisdictions with a score of 5 points out of a possible 100. BC was the worst rated jurisdiction on several regulatory factors that were evaluated such as "uncertainty concerning the administration, interpretation and enforcement of existing regulations," with 82% of respondents saying this was a *strong* deterrent to investment. Other issues included "environmental regulations" (76% indicated this was a strong deterrent to investment), and "regulatory duplication and inconsistencies" (62% indicated this was a strong deterrent).³¹

The newly elected government received, therefore, a clear mandate for change.

2.1. Description of BC's Recent Regulatory Reforms

The election promise to reduce red-tape in BC by one-third in three years is a testament to how widespread concern about too much regulation had become in BC. In the first Cabinet, the Premier appointed a Minister of State Responsible for Deregulation, reporting to the Minister of Competition, Science and Enterprise. The Minister of Deregulation's only responsibility was regulatory reform: a serious indication that the initiative was a political priority. There had never been a minister responsible for regulation before in BC. The choice of the word "deregulation" was a strong signal too, particularly for an economically

29. www.lifesciencesbc.ca

30. www.lifesciencesbc.ca

31. *The Fraser Institute Survey of Mining Companies Operating in North America 1998/1999 edition*. Recent editions of the survey show a much improved performance on all of the indicators cited here.

developed jurisdiction (the initiative is now referred to as regulatory reform, “deregulation” was substituted after the one-third reduction target was met).³²

The Minister of Deregulation’s first challenge was to develop a new regulatory policy, including the definition of a measure that would be used to determine the success of the government’s commitment to reduce red-tape by one-third.

He rejected measures of regulation that had been used in the past in Canada by think tanks and academics. For example, the Minister decided not to simply count the number of regulations as each individual regulation can have literally thousands of requirements associated with it. Instead, “regulatory requirements” coming from legislation, regulation and policy became the accounting tool. A “regulatory requirement” is defined in BC’s Regulatory Reform Policy as “a compulsion, obligation, demand or prohibition placed by legislation or regulation on an individual, entity or activity”. This measure has the benefit of being broad enough to capture rules within policy that businesses and individuals must comply with. To understand how different this measure is from just counting regulations, consider that the Workers Compensation Act in BC included a mere nine regulations but this translated into 35,308 regulatory requirements.

Each ministry conducted its own count of all the regulatory requirements contained in statutes, regulations and policy and a central regulatory requirement count database, administered by the newly created Deregulation Office, was established for baseline and reporting purposes. The first government wide count revealed 382,139 regulatory requirements at the provincial level in BC.³³

The framework for carrying out the government’s regulatory reform commitment was approved by Executive Council on August 15, 2001, only three months after the election.³⁴ A Regulatory Reform Policy was established including regulatory reform criteria by which all legislation, regulation and policy would be developed. The BC regulatory reform model addressed the quantitative and qualitative aspect of the provincial regulatory regime and most importantly was time-bound. The Regulatory Reform Policy applies to all proposed legislation, regulations and related policy.³⁵ One of its virtues is that it is a very simple policy that can be easily understood by the general public. The entire policy, including definitions, a checklist, an exemption form, and an example is only seven pages long and written in very straightforward language.

The most important part of the new policy is the Regulatory Criteria Checklist. Ministers and heads of regulatory authorities must make sure that any proposed legislation and regulations are evaluated according to the regulatory criteria set out in the checklist (section 3.2.1 contains the detailed list of criteria). The criteria were also useful for reviewing existing legislation and regulations.

32. The department responsible has also gone through several name changes. It was initially the Deregulation Office, then the Regulatory Reform Office, and recently went through a rebranding to become *Straightforward BC*. For the purposes of this paper, it will be referred to as the Regulatory Reform Office.

33. August 2006 Quarterly Report as posted on the *Straightforward BC* website at: <http://www.tted.gov.bc.ca/sfbc/Progress/Pages/QuarterlyReports.aspx>

34. *Government of British Columbia Regulatory Reform Policy* (Revised February 6, 2008).

35. This is important as much of the compliance burden of regulation for business is in policy rather than regulation.

The Premier was clear that every Minister and head of regulatory authority was responsible and accountable for implementing the new regulatory reform policy with the requirement that each would sign the Regulatory Criteria Checklist declaring that the proposed new or amended legislation or regulation was developed according to the criteria. There would be no “regulatory gatekeepers” checking on the ministries. The Ministers would be responsible.

There are limited exemptions to using the criteria on the checklist such as changes that are non-regulatory in nature and changes that relate only to the procedures or practices of a court or tribunal. One more open-ended exemption is provided if “the special circumstances of the case, as identified by the responsible minister or head of the regulatory authority, make it impracticable to comply with the regulatory criteria.”

The regulatory criteria checklist itself is very simple. It includes several questions in eleven different categories. The categories are: (1) Reverse Onus (2) Cost-Benefit Analysis (3) Competitive Analysis (4) Streamlined Design (5) Replacement Principle (6) Results-Based Design (7) Transparent Development (8) Time and Cost of Compliance (9) Plain Language (10) Simple Communications (11) Sunset Review/Expiry Principle. These criteria were agreed on after reviewing OECD principles for developing regulation.

Each category has a yes/no check box next to it. If the answer to the questions in any category are “no”, then an explanation must be attached.

At the end of the form, there is a box that asks how many regulatory requirements will be added and how many will be eliminated as well as what the net change will be. When the reform policy was first introduced in 2001, two regulatory requirements had to be eliminated for every one introduced. Since 2004, when the original target to reduce regulation by one-third was met, a target of no-net increase has been in place. This target now extends to 2012.

Requiring regulators to consider the eleven criteria on the Regulatory Criteria Checklist represented a dramatic change in thinking about regulation in BC: it put the onus on government to make the case that additional regulation was necessary, to ensure adequate consultation, to keep compliance flexible, and to reduce the total amount of regulation.

A signed copy of the regulatory criteria checklist or exemption form must be included with any legislation submitted for Executive Council review and any Order in Council that is being recommended by the responsible minister to the Executive Council to enact a regulation. Copies of the signed Regulatory Criteria Checklists and Exemption forms must be provided to the Regulatory Reform Office. In addition, the responsible minister or head of a regulatory authority must make the Regulatory Criteria Checklist available to the public, at no charge, on request.

In addition to following the regulatory reform policy, Ministers are required to identify priorities for regulatory review and simplification in their three year regulatory reform plans. When regulatory reform was first introduced, the Minister of Deregulation and the Premier made it a priority for each minister to identify how the one-third reduction target would be met in his or her plans.³⁶

36. The three year plans for regulatory reductions are not made public. However, Ministries will often announce a review of a particular Act or set of regulations and ask for submissions containing suggestions from interested stakeholders.

There are three key factors that distinguish BC's regulatory reform. An unusual feature of the policy is how decentralized it is: individual ministries determine their own regulatory plans and are responsible for achieving results and maintaining regulatory counts. This has many advantages over a more centralized approach to regulatory reform. It creates ownership and buy-in for the reform across government and ministries are more knowledgeable about what should be reformed and how it should be done than a centralized agency could be. It also allowed the government to accomplish the reforms without adding a big new bureaucracy to administer it.

Measurement is another unique feature of the policy. BC is the first jurisdiction to create a baseline measure for tracking its success at regulatory reform. Although the regulatory requirement metric has its flaws, having a measure provides accountability, transparency, and a base for discussion of progress. Finally, BC's reforms have strong support from the Premier, the highest provincial political office. As a result regulatory reform became a priority across government.

These three factors led to systemic changes in the way in which regulation was thought about in BC and are responsible for the success of the reforms.

2.2. Political Leadership for Regulatory Reform:

Regulatory reform in BC has been successful at achieving its stated objectives. The number of regulatory requirements eliminated at the end of three years was 37%, exceeding the one-third target. To date regulatory requirements have been reduced by around 43%. Political leadership from the Premier's Office has been critical. Once elected in 2001, he made reform a priority by appointing a Minister of Deregulation, and ensuring that it was a topic for discussion and scrutiny at all cabinet meetings.

According to the author of this report, there was initially some bureaucratic resistance to meeting the new policy. This, however, was mostly overcome when ministry staff realized that they were in charge of determining changes within their own ministries. The Deregulation Office was not going to tell them specifically what to do but was there to offer guidance, support, and feedback from industry as to what regulations and policies were considered especially problematic. In addition, the House Leader--the person responsible for ensuring government bills become law--had guaranteed that any legislation that needed to be passed in order to reduce regulatory requirements would get on the agenda.

The Regulatory Reform Office became part of the Ministry of Small Business, Technology and Economic Development.

The Canadian Federation of Independent Business (CFIB), a lobby group representing 10,000 small business owners in the province and 105,000 businesses across Canada, has been asking the government to make its reforms more permanent by making public reporting of the regulatory counts a legislated requirement. This would be important to embed regulatory reform in the long term.

The success of BC's reforms has influenced other provincial governments in Canada as well as the Federal government. The government of Newfoundland and Labrador followed the BC model by making a commitment to reduce red tape by 25% in four years, using regulatory requirements as a measure. The government of Nova Scotia has also set a reduction target, using a different measure, hours spent on paperwork. The Canadian government adopted the BC model by putting in place a one-year target to cut red-tape by 20%. In its announcements related to this project, the Federal government specifically said it was following BC's successful model.

While each of these initiatives has been successful at eliminating some unnecessary red tape, their long term prospect for achieving more regulatory accountability and transparency and controlling the inevitable demand for more regulation will have to stand the test of time.

2.3. Business and Citizen Engagement in Regulatory Reform:

Regulatory reform had broad-based support, particularly from the business community, when it was introduced in 2001. The support was focused on the general idea that reducing red tape and streamlining regulation was necessary to improve economic conditions rather than on *how* this was to be accomplished.

While there is still broad support for maintaining a reasonable regulatory climate, the success of the reforms has meant that regulation is no longer as high a priority as it was earlier in the decade. With a few notable exceptions, business groups tend to lobby for further improvement in sector specific or individual regulations rather than supporting the overall regulatory reform framework.

Likewise, the government is most active in seeking recommendations on how to improve the performance of certain sectors of the economy. To facilitate this, the government set up a number of roundtables to solicit advice and specific suggestions for improving economic competitiveness. A number of good suggestions have come from these groups.

For example, the Small Business Roundtable was set up in 2005 to consult with small business owners in the province and to provide advice to government on strategies to enhance small business growth and success. The Roundtable includes small business owners and representatives from small business organizations. It is chaired by the Minister of Small Business, Technology and Economic Development. The Roundtable provides advice to government, with its main vehicle being its annual report. Regulation is regularly raised by the group as important but recommendations have not focused on the regulatory reform policy itself, other than to suggest that a small business lens be incorporated into the Regulatory Criteria Checklist.³⁷ In 2007, the small business lens developed by the Small Business Roundtable was incorporated into the Regulatory Criteria Checklist.

The BC Competition Council was also set up in 2005. Its mandate was to review BC's competitiveness, identify barriers to economic growth and solutions to overcome them. The Council established Industry Advisory Committees for twelve sectors. Each Advisory Committee provided a report to the Council, which included recommendations. The Competition Council submitted its report to the provincial government in 2006 and has since been disbanded. However, many of the Council's recommendations continue to be acted on.

Regulation was an issue raised by five of the twelve sector specific advisory committees and identified as a priority in the Council's report. However, there were only three provincial recommendations in the report: (1) regulations requiring decisions should have specific, reasonable time limits; (2) regulations should be based on performance rather than the traditional prescriptive approach and (3) the cumulative impact of regulation on an industry should be considered whenever further regulations are proposed.

37. The annual report that will be released in late October 2009 does include a recommendation to institutionalize BC's reforms through legislation.

This is representative of the type recommendations coming from the business community regarding regulation. They tend to be general or sector specific in nature. While they are not at odds with the province's reform policy, they do not specifically support it or refer to it either. The recommendation to move to performance based regulations, for example, is already covered in the province's existing regulatory reform policy, yet this is not referenced.

The Canadian Federation of Independent Business (CFIB) plays a specific role. It represents independent small- and medium-sized businesses in all sectors of the economy. The CFIB successfully supported the introduction and extension of a target of no-net increase in regulatory requirements after the one-third reduction target was met. CFIB also recommended including regulatory counts by Ministry in the budget documents. This has been done since 2005. CFIB continues its advocacy efforts to make changes permanent and has been promoting BC's successful regulatory reform across the country.

Why has CFIB been so active in its efforts? Concern over regulation is second only to concern over taxation among the independent business owners that it represents. Yet, addressing the issue has proved challenging. The BC model is considered by CFIB staff to be very promising: measurement and reporting, political leadership and putting constraints on regulators is an effective approach to controlling red-tape. CFIB members agree, with 83% of BC members supporting making the government reforms permanent by passing legislation.³⁸

3. Institutions, Policies, and Tools for Regulatory Reform:

This section reviews the regulatory reform processes that have been put in place in BC.

The provincial government has been able to leverage the resources of a small regulatory reform office, working within the Small Business Ministry, to develop, monitor compliance with, and encourage further progress on its regulatory reform initiative. Given its limited resources, the department has done an admirable job, particularly in the area of clearly articulating its core policies (Regulatory Reform Checklist etc.), and encouraging cross ministry cooperation and sharing of best practices within and outside of BC.

3.1. Institutional Capacity for Regulatory Reform:

This subsection reviews the effectiveness of the department of regulatory reform, including evaluating human resources, capacities for data and information management, and the relationship between the department and politicians.

3.1.1. Government Body(ies) Involved in Regulatory Reform:

The Regulatory Reform Office, which is currently part of the Ministry of Small Business, Technology, and Economic Development, is the office responsible for implementing and sustaining regulatory improvement in BC. The office currently has six full time staff assigned to the initiative. The budget for the Regulatory Reform Office is part of the Ministry of Small Business, Technology and Economic Development. The Treasury Board, government's central planning group chaired by the Minister of Finance, provides each ministry with a budget to work with. Ministries then determine how to allocate the funding. The Regulatory Reform Office budget is not broken out separately but its budget is probably around

38. CFIB Mandate 212, November 2003. Of those with an opinion, 83 percent supported legislating the requirement for ministries to regularly report the number of regulations they oversee.

CAD 500 000. The Regulatory Reform Office staffing and budget has experienced only minor fluctuations since 2001.³⁹

The core responsibilities of the Regulatory Reform Office include developing and executing the government's regulatory reform strategy, maintaining the central database of regulatory counts, and producing reports for Cabinet and quarterly reports for the public.

Legal authority for regulatory reform comes from a Cabinet Directive from the Executive branch of government, which includes the Premier and Ministers.⁴⁰ Regulatory reform remains in place even if its relative priority has changed. However, according to the author of this report, Cabinet Directives can be easily rescinded without much public scrutiny. Therefore, a change in government may see the dismantling of the Regulatory Reform Policy.

When the current reforms were introduced in British Columbia, each ministry was required to appoint a manager and director to oversee the reforms for the ministry. Before being given access to the intranet database that allows ministries to update their regulatory counts, the director and manager had to go to the Regulatory Reform Office for training. The training generally takes half a day and included information on how to use the database as well as a review of the purpose of the reforms and the Regulatory Criteria Checklist. This approach proved very effective and allows the small regulatory reform office to leverage its limited resources. While the office is made up of six people, they work with around forty different individuals from twenty ministries.

In addition to the specific training, in the first few years of the reforms, workshops were held on specific topics such as writing in plain language, cost-benefit analysis, and understanding outcome based regulation. These workshops were very popular with staff across all ministries. An annual conference provided a good opportunity to conduct many of these workshops as well as for ministries to share success stories with each other. The annual conference was also a good opportunity to reinforce that regulatory reform was a priority across all of government. In recent years, the annual conference has not been held.

In addition to the workshops and annual conference, the Regulatory Reform Office also organizes training that is specific to individual ministries on a regular basis. These workshops now happen less frequently.

The Regulatory Reform Office is well run. However, there is no independent oversight of the office. There is no outside auditing of the regulatory counts or the regulatory checklists. Additional oversight, with public reporting, would give the office and its work more credibility and provide an incentive for government to continue making its work a priority.

39. Personal correspondence with the Regulatory Reform Office.

40. Since the mandate for the Office of Regulatory Reform comes from the executive branch of government there is no autonomy from it.

3.1.2. Financing of Regulatory Reform

In BC contrary to what many think to be the case, regulatory reform has not been expensive to finance. The reform department started with a small staff (5) and modest budget (CAD 500 000) and relies on the cooperation of other ministries and departments. The measurement and reporting, which are critical elements of the reform policy, are quite simple and even the initial counts were done in a matter of few months with the help of interns.

If the current reforms in British Columbia are abandoned, it is unlikely to be due to financing. Once a ministry's overall budget is determined, funding for the Regulatory Reform Office is at the discretion of the responsible Minister, who relies on executive staff within the ministry to help determine budgets for departments and projects.

Funding for the main reforms comes from the provincial government without any transfer of resources from the federal government. There are, however, complementary initiatives such as BizPal (discussed in the next section) where federal funding is important.

3.1.3. Coordination and Multi-level Governance:

There are limited initiatives between the federal, provincial and local governments to coordinate and reduce the complexity of the regulatory environment. One group that shares ideas and principles between the federal and provincial governments is the Federal-Provincial-Territorial Committee on Regulatory Governance and Reform (FPT CRGR). The FPT CRGR brings together a network of regulatory experts from across provincial boundaries and works to develop best practices on regulatory policy, building support for common approaches to regulatory development and overall management in Canada.

BizPal is a successful initiative involving all levels of government across Canada. BizPal is an online service that provides one-stop access to permit and license information for all levels of government. The main purpose of the program is to reduce document research time and help entrepreneurs start up a business faster. It saves business owners a considerable amount of time as research that once took seven hours has been reduced to 20 to 30 minutes.⁴¹ BizPal is a partnership of all provincial and participating municipal governments. The partnership makes all decisions regarding the overall program, and the provinces make decisions with respect to the implementation and management of BizPal within their jurisdictions. The program was launched with a lead group of participating jurisdictions (BC, Yukon, and Ontario) in 2005 and continues to expand.

The Mobile Business License project is an example of cooperation between the provincial and local governments in BC to reduce regulation. The project began after Premier Campbell challenged municipal leaders to simplify licensing for businesses by eliminating the requirement to have a separate license for each municipality in which a business operates. Instead, a business would obtain one license, which would allow it to operate in any jurisdiction in the province.

41. Fact taken from *Straightforward BC: Regulation Clear and Simple*, Government of British Columbia.

While most municipalities in BC have yet to embrace the idea, a pilot project in a region known as the Okanagan-Similkameen started in 2008 and was made permanent at the beginning of 2009. Under the pilot, mobile businesses (such as plumbers or other contractors) can purchase a Mobile Business License from their home municipality for \$150 in addition to their basic business license. This allows the business to work in all 17 participating municipalities.

Under the Mobile Business License program, municipalities continue to have full authority over business licensing within their borders. The provincial government plays a supporting role by offering assistance with co-ordination, analysis of options and IT support.

An interim review of the project done by the provincial government concludes that it was successfully meeting its goals. Businesses were reporting that the mobile business license is cost effective and convenient and municipalities were reporting that it had not increased the administrative workload and had increased revenue. Overall the report says that there was a significant regional revenue gain of over \$148 000 with a large increase of more than 750 licences over the 2007 baseline.⁴²

Previous to this pilot, several other inter-municipal business license arrangements were already in effect in BC. The largest project started with twelve municipal governments in the Capital Region District agreeing that one license would be sufficient for mobile businesses. Evidence from this project clearly shows that it was a success. There are strong indications that compliance increased under the program: for example, the number of licensed contractors increased by 20% in the year following the introduction of the licenses. According to CFIB survey results, 41% of businesses in the area report that it has had a “very positive” impact on the business climate with 26% claiming a “somewhat positive impact” and the rest indicating “no impact.”⁴³

3.1.4. Civil Service and Human Resources

As mentioned in an earlier section, the Regulatory Reform Office typically has around six full time staff members. Although the staff of the regulatory reform office itself is quite small, these limited resources have been leveraged to work with other Ministries and departments. Each Ministry has a Director and Manager dedicated to regulatory reform. They are trained by managers in the Regulatory Reform Office. There are strong incentives to participate in this training, as it is a prerequisite for having access to the regulatory count database and each ministry is responsible for keeping its section of the database up to date.

The Regulatory Reform Policy requires a copy of the Regulatory Checklist to be submitted to the Regulatory Reform Office. The Reform Office monitors Orders in Council informally and will make inquiries to ministries if there is no corresponding regulatory checklist. The Regulatory Reform Office also conducts spot checks of the database to evaluate how well it is being kept up. However, it does not check all new legislation, regulation and policy.

42. *Okanagan-Similkameen Mobile Business Licence Pilot Project*, Government of BC (September 2008).

43. *Inter-municipal Business Licenses: A Low Cost Approach to Reducing the Regulatory Burden*, The Canadian Federation of Independent Business (2007).

The relationship between staff in the Regulatory Reform Office and other ministries has been very cooperative. The Regulatory Reform Office does not see its role as that of gatekeeper but of facilitator. A key role that the office has played is to help staff in other ministries think through whether additional regulation is the right approach and help them understand what the implications of regulating might be. The actual drafting of regulation is not done by the Regulatory Reform Office. It is done by a team of lawyers in the Office of the Attorney General.

In BC, staff turnover in the Regulatory Reform Office has been high, with none of the original staff still working in the office. This has not proved difficult in terms of understanding or overseeing regulatory reform as the policy is concise and clearly written.

There has been high turnover at the political level, with six different ministers being responsible for regulatory reform since 2001. The first minister responsible, whose title was Minister of Deregulation, had regulatory reform as his only assignment and approached the task with considerable zeal. Two subsequent ministers were very committed to regulatory reform but had less time to devote to it as they had other major responsibilities as well. The strong personalities of these ministers helped reinforce the program as a priority with the Premier and with Cabinet colleagues.

3.1.5. Information and Data Management:

The main metric used to determine the success of the initiative continues to be the regulatory requirement count. Initially, the regulatory requirement counts were done quickly with the help of interns. Several years after the initial baseline was counted, a readjustment was done to correct for some differences in what had been included in the counts between ministries.

The database is very easy to use and each ministry is responsible for keeping it up to date. There has never been any third-party validation of the quality of the database or how well it is being maintained over time. According to the author of this report, outside validation, through spot checking, would likely improve the quality of the information being collected and lend it additional credibility.

One problem with the measure is that regulatory requirements coming from delegated authorities--non-profit organizations given the authority to administer and enforce certain legislation and regulation in the province--are not included and tracked in the total count. Many small businesses complain of an increasing regulatory load from these authorities that may be undermining the province's efforts to reduce the regulatory burden. However, without any measurement of these activities it is difficult to assess the legitimacy of these concerns.

However, in most cases, the requirements associated with delegated agencies given authority to administer all or parts of legislation and regulation would be counted under the responsible Ministry – not the agency. For example, Cedar Child and Family Services is a non-profit organization that has delegated child welfare duties under the Child, Family and Community Services Act. The count is tied to the legislation and can also be tracked.

The Regulatory Reform Policy itself and information related to it is clearly articulated and available on the government's website. The website also includes a lot of other information and tools related to regulatory reform. The Regulatory Reform Office has been very proactive in sharing information both within BC and with other jurisdictions such as Nova Scotia, Newfoundland, Ontario and the federal government that were interested in introducing their own regulatory reform policies.

The Regulatory Reform Office has also worked with the Australian governments of New South Wales and Queensland who have recently launched their State Regulatory Reform Initiatives that are reflective of the BC regulatory reform model.

3.1.6. Quality Management System:

Several items on the regulatory criteria checklist help ensure quality service to business. The first is the “Reverse Onus: Need is Justified” criteria. Questions for regulators to consider in this section include whether government intervention is necessary, whether a flexible policy can be designed to fit different circumstances and whether compliance can be voluntary. The second set of criteria related to quality management that must be considered are those regarding “Time and Cost of Compliance.” In this category, there is a question about whether government service standards, such as response turnaround times, have been set. However, there is no specific “silence is consent” rule that applies or is enforced. Another question asks whether “those that administer the requirements will respond in a timely way to those who are affected by the requirements.”

In practice, this has provided a good check on regulators and has made the concerns of those in business an explicit part of the regulating process rather than an afterthought. While the checklists are not published, they must be provided to the public on request. The consideration of questions related to the administration of regulation has been instrumental in helping to change the culture within the bureaucracy in BC to be more aware of the impact of regulation.

3.2. Policies and Tools for Regulatory Reform:

This section reviews regulatory policies and tools in BC, including an overview of the effectiveness of the regulatory criteria checklist.

3.2.1. Rulemaking Procedures for New Regulations:

The regulatory criteria checklist is a critical part of BC’s Regulatory Reform Policy, replacing the Regulatory Impact Assessment (RIA) in BC in 2001. Ministers and heads of regulatory authorities must make sure that any proposed legislation, regulation and new policy⁴⁴ are evaluated according to the criteria set out in the checklist (the checklist was changed slightly in 2006 to include a small business lens at the suggestion of the Small Business Roundtable).

A signed copy of the Regulatory Criteria Checklist or exemption form must be included with any legislation submitted for Executive Council review and any Order in Council that is being recommended by the responsible minister to the Executive Council to enact a regulation. Copies of the signed Regulatory Criteria Checklists and Exemption forms must be provided to the Regulatory Reform Office. In addition, the responsible minister or head of a regulatory authority must make the Regulatory Criteria Checklist available to the public, at no charge, on request.

44. “Policy” refers to new ‘interpretative’ policy that a regulatory authority puts in place to interpret a statute or regulation. It does not refer to all policy.

The regulatory criteria checklist itself is very simple. It includes several questions in eleven different categories. The categories are:

- (1) Reverse Onus: Need is Justified (questions such as: Has the scope of the public policy problem been assessed? and Is government intervention necessary to address the problem?)
- (2) Cost-Benefit Analysis: (questions such as: Is the benefit to government or external partners worth the increased cost to small business and those who must comply?)
- (3) Competitive Analysis: (questions such as: Has the impact of the requirements on BC's economic competitiveness been assessed? and Have the requirements been compared with other relevant jurisdictions?)
- (4) Streamlined Design: (questions such as Do the requirements avoid or eliminate duplication or overlap with federal or local government requirements, or those of other ministries? and Has business process mapping been undertaken to streamline the requirements and lessen the time needed by small business to comply?)
- (5) Replacement Principle: (question: Will one regulatory requirement be eliminated for each new regulatory requirement introduced by the legislation or regulation?)⁴⁵
- (6) Results-Based Design: (questions include Does the design reflect government's commitment to regulatory requirements that are results-based and use scientific evidence?)
- (7) Transparent Development: (questions include: Are the requirements transparent for ease of access, understanding and compliance? Has small business had the opportunity to see and comment on the proposed requirements?)
- (8) Time and Cost of Compliance: (questions include: Has the amount of time required by small business to comply been reduced? Can compliance occur with existing resources of small business? and Have government service standards been set? (e.g. response or turnaround time)
- (9) Plain Language: (question: Have the requirements been drafted in plain language and in a way that facilitates compliance?)
- (10) Simple Communications: (questions include: Will this change be communicated? and Can it be described in less than one page?)
- (11) Sunset Review/Expiry Principle (question: Has a date been set to review the requirements to ensure continued relevancy? or does the legislation or regulation contain a sunset provision for requirements to expire?)

45. This provision was originally two for one but was changed once the one-third target was met and replaced by a no-net increase target.

The Checklist is simple and effective. It focuses the minds of regulators on the impact of regulation on the private sector. This increased sensitivity has, in turn, encouraged a change in culture from one where regulation was seen as the answer to any problem and the private sector was viewed with some suspicion to one where questions are asked, alternatives are considered, and the contribution that businesses make to the economy is more respected and understood. In addition, the reality of operating a small business with fewer than five employees is better appreciated, this is important as most businesses (around 83%) in BC fit this description.

The Regulatory Reform Office provides oversight regarding whether the checklists are being followed. Ministries are responsible for sending a copy of the checklist to the Office. The Office also monitors regulations and asks ministries to provide checklists that it has not received. There is no external review of the checklists. The main control mechanism to ensure that the checklists are followed is concern from the public when they are not. There are no watchdog organizations monitoring the checklists. At least one organization, CFIB, has written to the government asking for more detail on the checklists when it appears they have not been followed. Raising this concern resulted in quick rectification on the part of government.

In addition to the checklists, regulatory changes must be posted in the official gazettes.

3.2.2. *Regulatory Consultation:*

The Checklist is not overly prescriptive with respect to *how* consultation will occur but *that* it will occur is clear. Transparent development of new requirements is part of the Checklist. Specifically, it asks whether there has been consultation with small business during the development of the requirements and whether small business had the opportunity to see and comment on the proposed requirements. This puts the onus clearly on government to consult about regulatory changes.

If businesses or the public do not feel this has happened, they can challenge the government by saying that it is not following its own policies. The threat of being publicly challenged in this way provides a strong incentive for ministries to consult with affected stakeholders. “Were you consulted?” is one of the first questions media are likely to ask business representatives about any major regulatory change that might have a negative impact on business.

While specific consultations vary, it usually involves informal and formal discussions with affected groups and calls for submissions. Sometimes there is broad circulation of proposals for comment and public forums. There is no formal requirement that the views of participants in the consultation process be made public. In practice, however, associations often post their submissions to government on their websites and sometimes even deliberately try to solicit media attention for their views. Public reaction and the reaction of key stakeholders to any changes that are eventually made also provide an effective check on ensuring transparency.

Changes made to regulations affecting the Oil and Gas sector provide an example of the government’s approach to consultation. There were eight pieces of legislation that were written as the industry grew and expanded. The government wanted to modernize and streamline the legislation. It posted a discussion paper online and sent it to key stakeholders with a call for submissions (the ministry contacted around 150 stakeholders to solicit their views). Once the ministry had a better idea of how they wanted to proceed, they contacted a handful of key stakeholders for further discussion. The stakeholders agreed to keep the discussions confidential.

As it was stated previously, consultation practices vary. This was the case recently with the carbon tax, as well as with the streamlining of the provincial sales tax.

In general, under the new policy, there has been far more engagement with stakeholders in BC than in the past. Not surprisingly, overall satisfaction with consultation has increased.

3.2.3. Simplification Programmes:

The main feature in BC's program to simplify regulation was the initial commitment to reduce regulation by one-third in three years (2001-2004) and the subsequent commitments to no-net increase in regulation that now extends through to 2012. In addition, the government has made other important changes to improve the regulatory climate in BC such as introducing the Taxpayer Fairness Code, signing the Trade, Investment and Labour Mobility Agreement (TILMA) with BC's neighbor province Alberta, promoting a single mobile business license, and adopting BizPal.

The TILMA is the biggest regulatory reform project this government has undertaken. It is one thing to modernize and streamline one's own regulatory regime, but it takes on a whole new dimension to align the regulatory regimes of two jurisdictions. Because of the achievements made under TILMA, BC was able to lead the reform of the Agreement on Internal Trade (AIT), particularly the labour mobility chapter eliminating overlap and duplications. This has a huge impact on business including independent professional businesses.

In order to achieve a one-third reduction in regulation, the new government started an intensive campaign to consult with industry regarding what regulations to simplify and eliminate after taking office in 2001. The Red Tape Task Force, largely made up of industry representatives, was established and tasked with reviewing and prioritizing 150 different submissions with 600 proposals for reform from the business community. Each minister was asked to prepare three year deregulation plans outlining how targets would be met. The Minister of Deregulation gave the priorities and recommendations of the Red Tape Reduction Task Force to other ministers to consider as they prepared these plans.⁴⁶ Most of the initiative for identifying specific areas for simplification now comes from individual ministries although the Regulatory Reform Office will let other ministries know if they are hearing a lot of concern about red-tape in a particular area.

The government continues to be open to suggestions for areas to reduce and simplify regulation but in a less aggressive way since after the one-third target was met.

To ensure a net reduction in regulation, the initial Regulatory Reform Policy required that two regulatory requirements be eliminated for every new one introduced. The new requirements to be added and those to be subtracted were included on the Regulatory Checklist that Ministers must sign off on.

46. The Minister of Deregulation asked his colleagues to address the concerns raised by the Red Tape Task Force unless there was a good reason not to. He was not at all prescriptive about *how* the concerns should be raised.

In the first four years of the reform many unnecessary rules across a wide range of sectors were changed or eliminated. A few examples: the Forest Practices Code was streamlined, mining, oil and gas regulation were amended, real estate legislation was modernized, the Employment Standards Act was amended, the Workers' Compensation Act was amended and liquor licensing and related administration was streamlined. In addition, over 3 000 fees and licences across government were reviewed and forty-three% of them were eliminated, consolidated or devolved.

The business community was generally pleased with the changes that were being made, but interestingly the reform policy itself was not held up as being important. The Regulatory Criteria Checklist did not receive much comment or support and using regulatory requirements as a metric to measure progress was also not widely known or commented on. This is somewhat surprising given that it was groundbreaking for a government to quantify the *aggregate* burden of regulation. No other government in Canada had ever attempted to do it.

This approach was powerful for two reasons. First, it forced every ministry to be engaged in the reduction and simplification exercise. This whole of government approach is something usually missing from regulatory reform. Second, it introduced a new level of external accountability with respect to the government's regulating activity. Not only could progress towards meeting a regulatory reform goal be tracked but new questions could be asked. If environmental regulations increase, what additional air quality is the public getting for that increase? If they decrease, is pollution going up? British Columbians are used to asking this type of question regarding public finances but not with respect to regulation, as most of the cost of regulation is hidden. Unfortunately, the larger potential value of this new approach seems to be lost on most of the business community and the media.

The hidden nature of the cost of regulation is also a factor. Until recently, there were no estimates of the burden of regulation. In the late 1990s, The Fraser Institute produced an estimate of the total cost of regulation to Canadians but it has not been updated since 2001. The only other recent report is CFIB's 2005 estimate that regulations cost Canadian businesses \$30.4 billion a year.⁴⁷ The media covered these reports as one-time events but has never been in the habit of regularly reporting an aggregate regulatory measure. The regulatory requirement measure, which is new and not heavily publicized, has yet to gain much media traction.

CFIB survey results suggest business owners are most concerned with provincial regulations around sales tax (60% indicate this is a major concern) and labour regulations, including occupational health and safety (62% identify this as a major concern) and employment standards (33% identify this as a major concern).⁴⁸ Business registration and reporting requirements are also a concern for about one-quarter of the businesses surveyed.

47. This estimate is based on survey results from businesses across Canada. CFIB is in the process of updating the report and the results will be released in 2010.

48. The government recently announced that its plans to harmonize the provincial sales tax with the federal sales tax in 2010. The announcement has been somewhat controversial but there is no doubt that it will substantially reduce the number of regulations that businesses have to comply with.

3.2.4. Accessibility and E-Government

BC has been a leader in E-government. OneStop has been simplifying the process of dealing with multiple government departments for over ten years. BizPal is another important research tool that helps simplify things for business. Most BC businesses are also now using the national business number (BN) for online transactions. The BN allows businesses to interact with many different government departments and agencies using the same number. It makes dealing with government easier as once the information is provided to the first agency it is easily transferred to the second without re-keying (this is only done with the permission of the entrepreneur).

OneStop business registry was an innovative project that started in 1996 in BC to make it easier for businesses to interact with multiple levels of government. The program allows business to conduct commonly required business registrations and transactions such as registering the business, registering to pay provincial and federal sales tax and applying for a municipal business license. In addition, now businesses can get a business name approved and change a business address using OneStop. OneStop currently has close to two hundred public and private sector partner organizations, including municipal governments. It was the first service in Canada to facilitate business registration with all three levels of government.

OneStop is user-friendly and has lots of customer service support including twenty-four hour online help and a toll free help desk that operates from 7:00 am to 7:00 pm from Monday to Friday. Staff encourages suggestions for improvement and feedback question results are available online. According to these results, 93% of businesses report that the instructions were easy to follow and understand. 96% report that they would use the service again or recommend it to others.⁴⁹ When used with the BN, OneStop is estimated to save business around five hours when registering a business and six to seven hours when using the business address change. Typically it takes businesses less than an hour to complete their registrations using OneStop.⁵⁰

BizPal, described earlier, allows businesses to go online and determine all the business permits and licenses that entrepreneurs must comply with from all three levels of government. It is most useful for people starting a business and saves more than six hours of document search time. Existing businesses can use the program to make sure they are aware of all of their license requirements. The program is a partnership among the provinces and the federal government. Each province is responsible for implementation and management within their own jurisdictions. The project was launched in late 2005 and continues to expand. The BC government has set a goal of launching 95 out of 160 municipalities in the province by 2010. BizPal only covers permits and licenses, not other obligations although there have been suggestions to expand the program.

A more recent innovation in BC is the BCeID. This service allows businesses to sign in securely to any participating government online service. The main advantage is having a single password so that users do not have to remember a different login ID and password at every website. In addition, BCeID eliminates the need to go through the process of registering for a new login ID and password when first using a service, a process that can be a minor annoyance.

49. *OneStop Business Registration Session Feedback Responses*, report date: November 12, 2008. Based on 3098 responses.

50. www.bcbusinessregistry.ca/BRfaqs.htm

3.2.5. Compliance, Inspection, and Enforcement

In BC, attitudes around compliance, inspections, and enforcement changed with the introduction of the Regulatory Reform Policy in 2001. One of the criteria on the regulatory checklist is “Results-Based Design.” This was a major change for BC regulators who had been used to prescriptive regulations. The change to outcome-based regulation was accompanied by an increased consideration of the cost of compliance for new regulations and change in approach towards inspection and enforcement.

The cost of compliance is now an explicit consideration for government as it reflects on new regulatory rules. The regulatory checklist includes a “Time and Cost of Compliance” criteria listing six specific questions:

1. Has the amount of time required by small business to comply been reduced?
2. Can compliance occur with existing resources of small business (e.g. no additional staff, accountant, lawyer, is required)?
3. Is additional paperwork for small business required (costing time and money)? If additional paperwork results, can this be incorporated into or streamlined with existing paperwork?
4. Can compliance occur without training for small business? If training is needed is it equally accessible to the rural areas of the province and for persons who do not have access to high speed (broad band) internet?
5. Have government service standards been set (e.g. response or turnaround time)?
6. Have steps been considered to ensure that those who administer the requirements will respond in a timely way to those who are affected by the requirements?

The increased sensitivity on the part of government to the costs of compliance is also reflected in the “Plain Language” criteria on the checklist where the following question is posed: “Have the requirements been drafted in plain language and in a way that facilitates compliance?”

Some of the questions on the Regulatory Criteria Checklist were added later after the small business lens was incorporated. They reflect the concerns raised by smaller business that complying with outcome based regulation is not always easier for them.

Enforcement and inspections have also changed. In many cases, it is now a shared responsibility between government and industry. For example, a business may be required to hire an independent contractor to verify that it is not causing undue environmental damage and submit this report to the government.

A good example of the changed approach to enforcement is the creation of the BC Safety Authority in 2004. It is an independent, self-funded corporation that oversees the safety of a number of sectors including amusement rides, recreational railways, boilers and refrigerator equipment and electrical equipment. The authority is responsible for issuing permits, inspections, and certifying contractors. Its approach is to focus on risk. For example, instead of requiring every elevator in the province to be inspected once a year, it will inspect newer elevators less frequently than older ones. In other instances, companies with better compliance records will be inspected less frequently than those where there have been problems. This approach increases the effectiveness of enforcement and inspection resources, which are not unlimited.

Along with this increased flexibility for businesses has come increased responsibility. In many cases, the penalties and fines for non-compliance have increased. Inspections maybe less frequent and rules less prescriptive but the penalties for being out of compliance are higher.

Not all enforcement has been contracted out to independent agencies. Provincial sales tax rules are among the most challenging for many business owners and it is ministry staff who provide information on how to comply and audit business owners. Changes in this area provide another good example of how attitudes within government have changed. In response to a number of concerns raised about the administration of the tax, a Taxpayer Fairness and Service Code, which outlined the quality of the service that business owners could expect from ministry staff, was introduced. The Code contains such provisions as the right to get information in writing and the right to be treated with courtesy and respect. But it goes further too. If an auditor identifies a mistake that the business owner has made as the result of wrong information from ministry staff, the business owner will not be liable for the tax. This seems only fair but is a groundbreaking new way of thinking of the relationship between business and tax officials in Canada.

In addition to the Taxpayer Fairness Code which addressed how rules were administered, the Ministry of Small Business and Revenue undertook a review of the tax rules themselves and made a number of changes, such as reducing the amount of time that businesses were required to keep records.

The result of these initiatives was a major culture change within the ministry and far fewer complaints about the administration of the tax.⁵¹ As one example of this culture change, a short video that would be shown to small business owners before an audit outlining what to expect and where to go if the owner had concerns was introduced several years ago. The video helps alleviate business owners' concerns that auditors have too much power and that the outcome of an audit depends on an individual auditor. The idea for the video came from an auditor.

In 2001, there were a number of concerns around appeals for both sales tax and workers compensation cases. In both of these areas, new standards were set and turnaround times have been reduced substantially.

51. FIB helps businesses with specific concerns around PST administration. The number of calls on this issue dropped substantially after the introduction of the Taxpayer Fairness Code. Concerns that we raise with the Ministry are now dealt with quickly and professionally. This was not the case in the past.

3.2.6. Ex post Evaluation and Accountability:

There is no question that part of the success of BC's regulatory reform has been the existence of specific objectives and regular reporting of the regulatory requirement metric being used to assess progress.

Measurement focused ministers across government on the task at hand and led to a new level of awareness of the burden of regulation within government, which has had a positive impact on the attitude of regulators who are now more thoughtful about how their activity might impact the private sector.

It must be stressed that the Regulatory Reform Initiative was focused on modernizing and streamlining the regulatory regime of BC while, at the same time, preserving those regulations necessary to protect public health, safety, and the environment. Regulations are being developed to achieve the desired outcome of protecting public health, safety, and the environment, considering the impact on those being regulated.

Every target set by government was met or exceeded. In 2004, it was announced that regulatory requirements had been reduced by 37%, thus exceeding the one-third target. Since then net reduction against the 2001 baseline has been running at about 43%.

There was both internal and external reporting of progress towards regulatory reduction. Cabinet received updates of the counts monthly, which helped remind everyone that it was a priority.

To report externally, the Regulatory Reform Office issues a quarterly report. The report initially detailed regulatory counts and reductions by ministry. In addition, the reports highlight and describe specific areas where progress has been made. After the one-third target was met the information in these reports was condensed to include only the total regulatory requirement count and net reduction for all government departments combined rather than by individual ministry, although counts by ministry have been published once a year in the budget documents for the past number of years at the request of CFIB. The last quarterly report was issued in the fall of 2008 and only two reports instead of four were issued that year.

The government could have improved the communication of its regulatory reform work to stakeholders and the public at large. The quarterly reports were published on the government website but not sent to stakeholders or publicized with the media. This helps explain why its ongoing efforts are not widely known.

3.2.7. Reviewing and Updating of Existing Regulations:

There is no formal process for reviewing existing regulations in BC, although many were reviewed to meet the initial reduction target. In general, anything that is undermining the competitiveness of BC will be a priority for review. Determining the impact on competitiveness is also part of the criteria to be considered for any new regulation being proposed. Sunset reviews are part of the Regulatory Criteria Checklist but are not required for all new regulations.

Although there is no formal process for reviewing existing regulations, the target of a net zero increase in regulatory requirements has developed a culture of continuous improvement. Ministries are forced to continually review their existing stock of legislation, regulation, and policy for improvement as new regulatory requirements are introduced. Every Legislation Session dozens of new legislation is introduced increasing the regulatory burden on the regulated. To achieve the net zero increase, Ministries must review existing measures.

Suggestions for review are welcome by those in the Regulatory Reform Office and many of the ministers responsible have actively encouraged people to give them suggestions but there is no specific mechanism such as a website that solicits advice from the general public (there was a comment card asking for suggestions several years ago but this initiative was short-lived).

ANNEX: FRAMEWORK POLICIES FOR COMPETITIVENESS AND ENTREPRENEURSHIP

This section considers the business climate in BC, including specific policies and programs to support entrepreneurship.

Following the 2001 election, the government was committed to turning the economy around and improving BC's competitive position within Canada. Many changes such as substantial reductions in personal income and corporate tax rates, balancing the budget, reducing regulation, and entering a free trade agreement with Alberta were introduced to further this objective.

The government is also very supportive of entrepreneurship and small business. One of the government's stated intentions is to be the most small business friendly jurisdiction in Canada. While it has not detailed what exactly this means, there have been a number of policy changes that have been linked to this goal, including reductions to the small business corporate tax rate. As described in an earlier section, the government set up a number of groups to provide advice on competitiveness, including the permanent Small Business Roundtable, which consults with small business owners to identify priorities for action.

4.1. Entrepreneurship Policies

In general, BC's approach to supporting entrepreneurship is through lowering general tax rates and reducing red tape. There are also resources and programs that exist specifically to support individuals starting a business.

Small Business BC (SBBC) is the main government organization providing business support services in BC. It was formed through a federal-provincial partnership in 1993 to provide support services for those starting or growing businesses. In 2002, it was transformed into a not-for-profit society, but its funding still comes mostly from the provincial and federal governments. Governments provide funding and have general agreement on priorities, but SBBC is independent and sets its own overall direction. SBBC is well respected and delivers a number of excellent services to businesses including reviewing business plans, providing market research, and providing individualized advice on exporting.⁵² It also has an extensive library and hosts workshops on a variety of topics of interest to business owners. The services offered by Small Business BC are free or offered for a nominal fee. It is unlikely that the organization would stop receiving funding as it is well established and delivers good value. Another indication of robustness is the fact that it survived the change in government in BC in 2001.

One good example of the valuable information that Small Business BC provides entrepreneurs is its *Overview of Government Financing* publication, which details government business assistance programs from both the federal and provincial governments. A number of programs are available for business start ups and business development. Many of the programs are partially or fully funded by the federal government. For example, the Canada Small Business Financing Program (CSBF) assists businesses in obtaining loans to help finance fixed asset needs. Applications can be made at any bank. The Community Futures Development Corporation provides loans, seminars and counseling to rural communities across BC. In addition, several of the Credit Unions offer microcredit loans.

52. See www.smallbusinessbc.ca.

At the provincial level, the government offers several programs to help business owners gain access to capital for start-up and expansion. The programs offer tax credits with the capacity to support up to \$168 million of investment to investors making equity capital investments directly in British Columbia based small businesses or indirectly through specialized venture capital investment funds. Individuals who buy shares of an eligible businesses or venture capital corporation are eligible to receive a refundable tax credit equal to 30% of their investment amount, to a maximum of \$56,000 of credits per tax year⁵³. The Employee Share Ownership Program was set up to allow retiring business owners to transfer ownership to employees. It gives employees a 20% tax credit for making investments in their employers' businesses. This provides another option for succession planning, a priority in BC as close to 70% of small business owners indicate they plan to retire within the next ten years.

The government is committed to supporting emerging technology clusters in BC. In April of 2008 the BC government announced a \$84.2 million capital fund, the BC Renaissance Capital Fund. The government corporation will invest in four key technology sectors: information technology, new media, clean technology and life sciences.

4.2. Implications for a Business-Friendly Environment:

Creating and maintaining a business-friendly environment is a priority for the BC government. The Ministry of Small Business, Technology and Economic Development is focused on building a strong provincial economy that maximizes economic opportunities and small business growth throughout the province.⁵⁴ In order to achieve this objective it is focused on removing barriers to trade, diversifying the economy, and addressing economic competitiveness issues.

One of its explicit objectives is to make BC the most small business friendly jurisdiction in Canada. The Small Business Roundtable, chaired by the Minister Responsible for Small Business, Technology and Economic Development, consults with small business and provides advice on how to achieve this objective. Several policy changes have been directly linked to this objective. For example, earlier this year the government announced that the small business tax rate would be the lowest in Canada by 2012⁵⁵. Continuing to focus on regulatory reform and improvements has also been linked to this objective and the Regulatory Reform Office is part of the Ministry.

In addition to the general tax and regulatory relief, several specific initiatives to support high technology industries have been introduced, such as amendments to the Provincial Employment Standards Act to better reflect the needs of the technology sector, a commitment to double the number of Computer Science and Engineering graduates over the next 5 years, a provincial commitment to 20 industrial research chairs, and the introduction of a new \$7 million tax credit last year to support initiatives in the clean technology sector.⁵⁶

53. Investment Capital Programs Brochure, Government of British Columbia.

54. The *Ministry of Small Business, Technology and Economic Development 2009/10-2011 Service Plan* includes a description of the Ministry's priorities.

55. The small business tax rate was 4.5 percent in 2001. It has been successively reduced and will be 0 in 2012 up to a threshold of \$460,000.

56. www.bctia.org

4.3. Maximizing Gains from Competitive Advantages:

The BC government has actively worked towards increasing the province's economic competitiveness in a number of ways. A priority is to improve the general business climate through broad-based changes, such as overall tax and regulatory reductions. The government has also focused on leveraging its geographic proximity to Asian markets, developing a research and innovation strategy, and supporting clusters that help diversify the economy, particularly in the high technology sector.

The province's general business climate has improved substantially from where it was in 2001. Income taxes, general corporate taxes, and small business taxes have all been significantly reduced. Regulations have also been reduced. An example of the kind of initiative that has been encouraged is the free trade agreement, the Trade, Investment and Labour Mobility Agreement (TILMA) that was signed with Alberta and came fully into force on April 1, 2009. The agreement eliminated trade barriers and unnecessary red tape between the provinces. For example, the requirement to have a second office and fill out multiple registrations has been eliminated. In addition, labour credentials in one province are now recognized by the other, making it easier for professionals to move easily between jurisdictions. An interesting feature about TILMA, in the context of this paper, is that it was considered a government-wide regulatory reform initiative to meet the government-wide target.

The BC government is committed to leveraging the strength of its existing ties to Asia. The Ministry of Small Business, Technology and Economic Development has a division devoted to developing and maintaining trade and investment relations with key Asian markets. In 2007 the Asia-Pacific Initiative was launched "to drive B.C.'s economic prosperity for decades by increasing trade, investment and knowledge collaboration with the global economic drivers of the 21st century: China, India, Japan, Korea and Southeast Asia."⁵⁷ The business community plays a key role in this strategy and the Premier established an Asia Pacific Trade Council, made up of senior business leaders, to make recommendations on opportunities related to Asia Pacific trade. Earlier this year the government opened a new Asia Pacific Business Centre that will provide BC-based businesses with information on doing business in Asia and help businesses from Asia connect to opportunities in BC. The government provides a lot of support for businesses looking to export into new markets, particularly in Asia.

Projects that improve infrastructure related to making BC a competitive exit and entry point for Asian and Canadian goods have also been a priority for the BC government. For example, in 2005 the Federal and Provincial governments announced funding to create a container terminal at the Port of Prince Rupert. Other infrastructure investments have focused on reducing congestion and improving access to the Vancouver and Fraser River ports.

BC has a research and innovation strategy that is based on building on the province's existing strengths. The focus of the strategy is to increase commercialization and support existing or emerging clusters where BC has a competitive advantage including life sciences, technology, clean technology and natural resources. A large part of the strategy relates to keeping the general business environment competitive. The strategy also supports investing in research and innovation as well as making money available to help commercialize products and services, particularly in the key sectors mentioned above. It also seeks to strengthen collaboration between industry and academia in key sectors.

57. www.tted.gov.bc.ca/APTI/Economies/Pages/default.aspx

Support for continuing to increase BC's competitiveness in the area of technology has been an enduring commitment of the Premier. In 2001, he established the Premier's Technology Council (PTC), an independent body to advise him on all technology matters in BC and to consider how technology can help BC over the next decade. The PTC has delivered twelve reports with 198 recommendations. Most of these recommendations have been implemented or in the process of being implemented.⁵⁸

The focus on the high tech sector in BC seems to be successful. Since 2001, the sector's contribution to GDP has increased by 64% and it now represents 6% of GDP. Revenues have increased by 58% since 2001 and employment now stands at just over 81,000, an increase of 20% since 2000.⁵⁹

Government support for the film and television industry has been strong for the past 30 years. For example, in 1978 the British Columbia Film Commission, a branch of the provincial government that is "working to ensure that the business of film and television production thrives as a value proposition for our domestic and international clientele" was formed.⁶⁰ The Commission promotes BC as an attractive place to do business and provides contacts, services, information and support. The government offers very competitive tax credits to the industry. The Production Services Tax Credit is 25% of qualified BC labour expenditures with additional 6% credits available for regional and distant location credits. The University of British Columbia supports the industry with its film production degree and is closely connected to the industry. These initiatives appear to have paid off as BC is now the third largest centre for production in North America.

In addition to its support for high technology, the government continues to look for policies that will support BC's more traditional industries, mining and forestry. The mining industry has benefitted from additional tax incentives and forestry regulations were a priority for government review when it was first elected.

58. Premier's Technology Council, 12th Report (April 2009).

59. Premier's Technology Council, 12th Report (April 2009), p. 32.

60. www.bcfilmcommission.com