



CUTTING RED TAPE IN CANADA A Regulatory Reform Model for the United States?

Canada recently passed a federal law requiring that one regulation be removed for every new regulation introduced. This change has deep roots in a broader set of reforms designed to control red tape. Developed in the province of British Columbia, this model of regulatory reform is notable for its success and longevity.

A new paper for the Mercatus Center at George Mason University looks at how the government of British Columbia approached regulatory reform and suggests that the Canadian experience could be a model for governments in the United States. Given how many governments have tried and failed to reduce red tape and the regulatory burden, it is remarkable that British Columbia was able to do so. Policymakers in the United States should take notice of these lessons and adopt a similar model.

To read the study and learn more about its author, Laura Jones, see [“Cutting Red Tape in Canada: A Regulatory Reform Model for the United States?”](#)

WHAT IS RED TAPE AND WHY IS IT HARMFUL TO BUSINESS?

“Red tape” refers to rules, policies, or government services that do little or nothing to serve the public interest while creating financial cost or frustration for producers and consumers.

- Red tape, as the term is used in this paper, is intended to stand in contrast to government regulations, rules, and policies that support an efficient and effective marketplace and provide citizens and businesses with the protections they need. Unlike justified regulation, red tape does not deliver benefits that exceed its costs.
- Red tape regulations may have been intentionally designed to burden some businesses over others, or may have been justified at one point but no longer serve their original purpose.
- Determining whether a regulation is justified or red tape is difficult. Measuring the costs and benefits of regulation can be challenging, and making the proper distinction is important.

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THE BRITISH COLUMBIA MODEL

Economic growth and employment in British Columbia lagged the rest of the country in the 1990s. As the activist government ran out of money to spend, it sought to regulate more and more sectors of the economy as an alternative means of achieving policy goals. For example, the government regulated the size of televisions in restaurants, the number of par-four holes in golf courses, and the maximum patron capacity of ski hill lounges.

These regulations and many others strangled the economy and led to the election of a reformist government. In 2001, the new government appointed a minister of deregulation, and over time, this minister's goal became eliminating red tape and reforming regulations rather than simply deregulating.

- Instead of measuring progress using the number of regulations or pages of regulations, British Columbia's government chose to look at the number of "regulatory requirements." This measurement method is similar to the one used by the RegData project at the Mercatus Center, but more expansive because it looked at legislation and policies in addition to regulation.
- Government agencies were required to report their regulatory activity and track progress against a baseline. The first government-wide count revealed 382,139 regulatory requirements (as compared to a less compelling count of 2,200 regulations). In addition to measurement and monitoring, the government is also committed to reducing regulatory requirements by one-third.

Several key characteristics have contributed to the success of British Columbia's Regulatory Reform Policy, approved three months after the 2001 election:

- *It was detailed but simple.* The written policy included definitions, a checklist, and an exemption form, but was only seven pages long. Before promulgating new regulations, ministers of government agencies were required to confirm that the rules were necessary, outcome-based, transparently developed, cost-effective, evidence-based, and supported the economy and small business.
- *It required the elimination of old regulations before new regulations could be adopted.* Government agencies were required to demonstrate how many regulations would be eliminated in exchange for any new regulation. In the early years of the program at least two (and sometimes more) regulatory requirements had to be eliminated for every one introduced.
- *It decentralized reform.* Each agency was responsible for tracking, reporting, and monitoring its progress. The minister of deregulation merely offered guidance, support, and feedback about which regulations were problematic.
- *It got the private sector involved.* A key feature of British Columbia's reform was the government's extensive consultation with private industry. Hundreds of reform proposals from the business community were reviewed and prioritized by the Red Tape Task Force, itself largely composed of industry representatives.

By 2004, 37 percent of regulatory requirements had been eliminated, exceeding the initial one-third target. Today, a one-in, one-out policy for requirements is in place and will be in force until 2019. The government continues to emphasize the importance of minimizing red tape and has made a core review of government services a top priority.

POLICY LESSONS AND CONCLUSION

Canada's experience with regulatory reform offers some very practical lessons for US governments:

- 1) *Language matters.* It is important to distinguish red tape from necessary regulation—it is easier to oppose “deregulation” than it is to oppose cutting red tape.
- 2) *Political leadership matters.* It is important to have strong political leadership that gets buy-in from civil servants and defends its policy by focusing on reform.
- 3) *A clear, credible, simple measure matters.* It is necessary to use a simple metric that can explain the regulatory burden and serve as a measurement tool for reducing regulation. Complex measurement systems can be expensive and may not be more accurate or deliver better results. The number of regulatory requirements is a simple but effective metric.
- 4) *A hard-cap constraint on regulators matters.* While regulatory impact analysis may slow the growth of regulatory activity, it will not stop it. By focusing on a target of reducing one-third of regulatory requirements, British Columbia changed the culture in government to one of regulatory management rather than regulatory expansion.
- 5) *Institutionalizing red tape control matters.* Once British Columbia met the one-third reduction target, it established a policy of zero net increase in regulatory requirements. This has ensured that the government continues to measure red tape requirements long after the initial reform effort.
- 6) *Outside advocacy matters.* Small businesses stood up for themselves in British Columbia and effectively pushed the electorate and the government to enact reform. It is essential for private entities to keep a watchful eye on government activity.

British Columbia has gone from being one of the economically worst-performing provinces in Canada to being among the best: economic growth increased from 1.9 percent below the Canadian average between 1994 and 2001 to 1.1 percent above the average between 2002 and 2006. GDP grew faster in British Columbia than in Canada every year between 2002 and 2008, and thousands of new businesses were created during this period.

With reform-minded political leadership, a credible but simple measurement system, and a cap on the total burden of regulation, British Columbia was able to reduce its red tape burden and dramatically expand its economy. Governments in the United States that are interested in improving the welfare of their citizens should consider these lessons from Canada and seek to reduce red tape using a similar model.