

Canada

1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.

Since putting its macroeconomic fundamentals in order in the 1990s, the government of Canada has been able to better concentrate on structural reforms designed to make Canada's economy more competitive. The current framework for this process is *Advantage Canada* – Canada's economic plan, introduced in November 2006. *Advantage Canada* has the following five components:

- (i) Tax Advantage – Reducing taxes for all Canadians and establishing the lowest tax rate on new business investment in the G7.
- (ii) Fiscal Advantage – Eliminating Canada's total government net debt by 2021.
- (iii) Entrepreneurial Advantage – Reducing unnecessary regulation and red tape and increasing competition in the Canadian marketplace.
- (iv) Knowledge Advantage – Creating the best-educated, most-skilled and most flexible workforce in the world.
- (v) Infrastructure Advantage – Building the modern infrastructure it requires.

As mentioned in the 2009 Federal Budget, over the previous three years, the government has implemented significant elements of *Advantage Canada*, including:

- reducing taxes on individuals, families and businesses by an estimated total of \$220 billion over the period of 2006 to 2014
- reducing corporate income taxes so that Canada will have the lowest statutory corporate tax rate in the G7 by 2012 and the lowest overall tax rate on new business investment in the G7 by 2010
- reducing the federal debt by \$37 billion
- introducing a federal science and technology strategy and new investments in people, equipment and research
- investing in education and training, including long-term support of postsecondary education and a modernized Canada Student Loans Program
- streamlining Canada's immigration system to better respond to the needs of the Canadian labour market
- enhancing and expediting infrastructure funding.

2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.

The LAISR priorities interface with two components of *Advantage Canada*: Entrepreneurial Advantage (i.e., regulatory reform, competition policy, corporate governance) and Fiscal Advantage (i.e., public sector governance). The most significant structural reforms in recent years in Canada in the areas of regulatory reform, competition policy, corporate governance and public sector governance are indicated below.

Regulatory Reform

The 2007 Federal Budget moved to create a performance-based regulatory system based on three elements. First was the Cabinet Directive on Streamlining Regulation (CDSR), which came into effect on 1 April 2007, introducing new requirements for regulatory departments and agencies regarding the preparation of regulatory proposals, including enhanced international regulatory cooperation, performance measurement and evaluation, service standards, and more robust cost-benefit analysis (see: <http://www.reglementation.gc.ca/directive/directive00-eng.asp>). Second was the creation of the Major Projects Management Office to provide a single point of entry into the federal regulatory process for large natural resource projects (see: <http://www.mpmo-bggp.gc.ca/index-eng.php>). Third was the Paper Burden Reduction Initiative, designed to reduce the administrative and paper burden on small business resulting from government rules and regulations by 20 percent by November 2008 (see: <http://reducingpaperburden.gc.ca/epic/site/pbri-iafp.nsf/en/Home>).

Competition Policy

The 2009 Federal Budget introduced significant amendments to the *Competition Act*, which were designed to modernize it and bring it more closely in line with the competition laws of Canada's major trading partners (see http://www.cb-bc.gc.ca/eic/site/cb-bc.nsf/eng/h_03036.html). The amendments responded to recommendations made by the independent Competition Policy Review Panel, which the government set up in July 2007 to review Canada's competition and foreign investment laws and policies with a view to improving Canada's productivity and competitiveness. The Panel's final report of June 2008 had recommended that the *Competition Act* be amended to include: reforms to the merger review process; amendments to the conspiracy provisions; the introduction of financial penalties for abuse of dominance; and the repeal of various industry-specific and pricing practices provisions. The amendments came into force on 12 March 2009 (with the exception of reforms to the conspiracy provisions, which come into force on 12 March 2010).

Corporate Governance

In 2005, the Canadian Securities Administrators (CSA), an umbrella organization of provincial and territorial securities regulators in Canada, established national policies and instruments that provide guidelines and disclosure requirements for publicly traded companies with the intent of improving corporate governance using a "comply or explain" regime (see: <http://www.osc.gov.on.ca/en/14206.htm>). The process responded to a series of corporate and accounting scandals in the early part of the decade and was informed by a thorough and transparent consultation process. In 2009, the CSA published proposed policies and instruments that would replace the current ones, with a particular focus on enhancing the standard of corporate governance and confidence in Canadian capital markets. The proposed regime would move away from the "comply or explain" requirements to a principles-based approach.

Publicly-traded companies would be required to disclose the practices they use to achieve nine core principles. The CSA is in the process of analysing the comments received during the consultation period (see <http://www.osc.gov.on.ca/en/24538.htm>). No decision has yet been made with respect to the proposed changes.

Public Sector Governance

The government of Canada has introduced a variety of initiatives over the past five years in order to improve its principles-based, risk-sensitive, results-focused management regime. These include: Expenditure Management System (EMS) Renewal (2006) (see: <http://www.tbs-sct.gc.ca/media/nr-cp/2009/0206a-eng.asp>), systematically subjecting all government programs to ongoing Strategic Reviews to ensure they remain focused on results, provide value for money and are aligned with current priorities; the Federal Accountability Act (2006), designed to put greater accountability and transparency in government operations (see <http://www.faa-lfi.gc.ca/index-eng.asp>); Public Service Renewal (2007), aimed at improving human resource management (see: <http://www.tbs-sct.gc.ca/chro-dprh/ren-eng.asp>); the Web of Rules Initiative (2008), intended to eliminate ineffective and unnecessary rules and reducing the reporting burden (see: <http://www.tbs-sct.gc.ca/reports-rapports/wr-lr/index-eng.asp>); and Grants and Contributions Reform (2008) to make grants and contributions programs more fair, cost-effective and efficient (see: <http://www.tbs-sct.gc.ca/gcr-esc/docs/2008/ragcp-rapsc-eng.asp>).

3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?

The success of a structural reform initiative is often owing to the fact that recommendations underpinning the reform are made by an independent organization of experts appointed by the government – esteemed individuals in whom the population in general can place their trust. For example, in formulating its new regulatory policy (i.e., the CDSR), the government drew from the recommendations made by the External Advisory Committee on Smart Regulation. As another example, in establishing its March 2009 amendments to the *Competition Act*, the government was guided by the recommendations made by the Competition Policy Review Panel.

Another key aspect to the success of a structural reform initiative is a thorough, transparent and wide-ranging consultation process that includes all stakeholders and interested members of the Canadian public. Consultations provide legitimacy, buy-in and ownership to the reform process. They should typically be an integral part of the work carried out by the independent organization of experts appointed by the government, with the views obtained to be used to inform its recommendations along with rigorous evidence-based research.

Once the independent organization of experts has consulted widely and has established and conveyed its recommendations to the government, leadership at senior bureaucratic and political levels becomes instrumental in ensuring that the recommendations inform a set of official policy proposals that will eventually come into force.

In implementing a new policy, guidance and outreach provided by the government to stakeholders and the public is critical to ensure that they understand it and the obligations associated with it. For example, the March 2009 amendments to the *Competition Act*, were accompanied by guideline documents, including: *A Guide to Amendments of the Competition*

Act, draft *Competitor Collaboration Guidelines* (for public consultation), and *Merger Review Process Guidelines*. Additionally, the Bureau organized an economy-wide outreach program to educate consumers, business people and other stakeholders about the new amendments.

Finally, the government must also ensure that it has built the necessary internal capacity, as required, to properly implement the new policy. For example, the new regulatory policy (i.e., the CDSR) has included the establishment of the Centre of Regulatory Expertise (CORE) to provide expert advice and services to regulatory departments and agencies in order to enable them build their internal capacity. Specific expertise is provided in the areas of cost-benefit analysis, performance measurement, risk assessment, and regulatory impact assessment in general. This advice has been provided at a much lower cost than if each department and agency were to have contracted with the private sector.

4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.

Generally the aforementioned structural reforms are sufficiently new that it is too early to assess their economic impacts, if indeed it is possible to assess them in a measurable way. An exception within public sector governance reform is the Strategic Reviews. The first two rounds of Strategic Reviews, which covered 38 federal organizations and approximately 45 percent of direct program spending, identified aggregate ongoing savings from low-priority existing programming of almost \$1 billion (US\$950 million) that were reallocated to higher priority programming. The results were reported in the 2008 and 2009 Federal Budgets.

5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?

Regulatory Reform

One of the key challenges of assessing the success of regulatory reform is determining its overall impact on the economy and the environment. Hence the development of indicators of regulatory quality can help economies learn from the past and advance new regulatory reform strategies. Canada is encouraged by ongoing work at the OECD in this area, and views APEC as a forum that can also play an important role.

Competition Policy

Next steps beyond 2010 could include:

- promoting the convergence of competition laws in APEC economies in order to minimize costs to business and provide increased stability and certainty;
- supporting the adoption in APEC economies of the International Competition Network's recommended practices; and
- promoting ongoing cooperation between competition enforcement agencies to ensure effective cross-border enforcement and assisting newer agencies in capacity building in order to support enforcement convergence.