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Evaluation of the Paperwork Burden Reduction Initiative

Final Report

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Canada

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LIST OF ACRONYMS USED IN THIS REPORT

Acronym	Meaning
ACPBR	Advisory Committee on Paperwork Burden Reduction
ACSBE	Advisory Committee on Small Business and Entrepreneurship
BDC	Business Development Bank of Canada
CFIB	Canadian Federation of Independent Business
CRA	Canada Revenue Agency
DFAIT	Department of Foreign Affairs and International Trade
EQ	Electronic Questionnaire
DFATD	Department of Foreign Affairs, Trade and Development (formerly DFAIT)
FPT	Federal, Provincial and Territorial
GoC	Government of Canada
IC	Industry Canada
OECD	Organisation for Economic Co-operation and Development
PAA	Program Alignment Architecture
PBRI	Paperwork Burden Reduction Initiative
RTRAP	Red Tape Reduction Action Plan
RTRC	Red Tape Reduction Commission
SBB	Small Business Branch (of Industry Canada's Small Business, Tourism and Marketplace Services sector)
SME	Small and Medium-sized Enterprise
SRCC	Survey of Regulatory Compliance Cost
TB	Treasury Board
TBS	Treasury Board Secretariat

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EXECUTIVE SUMMARY

Program Overview

The Paperwork Burden Reduction Initiative (PBRI) was approved in 2004, launched in 2005 and renewed in 2009. It is intended to result in a Government that is better informed of the needs of small businesses and the regulatory burden that they face. The PBRI has a budget of \$5 million over five years and is managed by Industry Canada's (IC) Small Business Branch (SBB).

The current PBRI has two main components, namely, the Survey of Regulatory Compliance Cost (SRCC) and the Advisory Committee on Small Business and Entrepreneurship (ACSBE). The SRCC is conducted on a triennial basis to measure the extent of the regulatory burden faced by small and medium-sized businesses in Canada. The ACSBE is a private sector committee whose mandate is to provide information, advice and recommendations to the Government on the most important issues facing small businesses in Canada, including paperwork burden.

The ACSBE reports to the government via the Minister of State (Small Business and Tourism). SBB maintains a small Secretariat to support the ACSBE and works with Statistics Canada to design and analyze the results of the SRCC.

Evaluation Purpose and Methodology

In accordance with the Treasury Board Policy on Evaluation and Directive on the Evaluation Function, the purpose of this evaluation was to assess the core issues of relevance and performance of the PBRI. The methodology was calibrated to take into account the low materiality of the program. Nonetheless, the evaluation findings and conclusions are based on the analysis of multiple lines of evidence and included a document review, literature review, interviews and data analysis.

Findings

Relevance

The PBRI continues to be relevant. The SRCC addresses a continued need for reliable measures of the cost of regulatory compliance in Canada. The ACSBE provides the Government with a valuable source of complementary advice on broader SME issues from a small business perspective.

The PBRI aligns with the federal government's and IC's role to strengthen the Canadian marketplace in the area of small business. It is consistent with Government priorities articulated in federal Budgets and Speeches from the Throne to reduce the administrative burden of regulation on small and medium-sized enterprises, and to create a competitive business environment for them.

Performance

The evaluation found that the program is achieving its expected immediate and intermediate outcomes.

The Government is better informed of issues facing small businesses because of the PBRI. Specifically, the surveys have improved the Government's understanding of the extent of the regulatory burden faced by SMEs in Canada. Through ACSBE's work, the Government is better informed on SMEs' perspectives, particularly with respect to issues concerning business financing and entrepreneurship.

Information generated by the PBRI has informed the work of federal and provincial government departments and the Red Tape Reduction Commission. The data produced by the survey has been used by departments to support their efforts to reduce regulatory compliance costs, whereas the advice provided by ACSBE has been considered by the Government in decisions regarding program and policy renewal.

The evaluation found that the PBRI has demonstrated economy and efficiency. The ACSBE has an economical structure and is effectively supported by the Secretariat. The survey's scope and quality has increased over time while its costs have been reduced, demonstrating increased operational efficiency.

Overall, the evaluation did not find any major issues with the PBRI and as a result makes no recommendations.

1.0 INTRODUCTION

This report presents the results of an evaluation of the Paperwork Burden Reduction Initiative (PBRI). The purpose of the evaluation was to assess the program's relevance and performance. The report is organized into four sections:

- Section 1 provides the program context and profile of the PBRI;
- Section 2 presents the evaluation methodology along with a discussion of data limitations;
- Section 3 presents the findings pertaining to the evaluation issues of relevance and performance; and
- Section 4 summarizes the study's conclusions.

1.1 Program Context

The Government of Canada (GoC) has a long-standing interest in reducing the paper burden on small businesses. For example, it created a "Paper Burden Reduction Initiative" in December 1994 and reported on its progress in 1995.¹ Subsequently, in 2002, the Government announced the "Smart Regulation Initiative," which was intended to contribute to innovation and economic growth, improve the Government's regulatory performance and reduce the administrative burden on business.²

The PBRI was created in 2005 to provide advice to government on how "red tape"³ could be reduced, as part of broader efforts to promote entrepreneurship, improve innovation and facilitate growth among Canadian small businesses.⁴ The PBRI's key components were:

- a triennial survey by Statistics Canada to provide a measure of the extent to which paperwork burden is reduced over time;
- the Advisory Committee on Paperwork Burden Reduction (ACPBR), a public-private sector committee representing small business institutions and organizations tasked with identifying burden reduction actions; and
- regular progress reports to the Minister of Industry and Parliamentary committees based on action plans, reports and recommendations developed by the ACPBR.

The PBRI was renewed in 2009 with a broadened mandate to generate private sector advice to government on ways to foster the prosperity and competitiveness of small businesses in Canada, including how to reduce paperwork burden. While the survey and requirement to report on findings and progress to the Minister responsible⁵ were continued, the ACPBR was replaced by the Advisory Committee on Small Business and Entrepreneurship (ACSBE), composed entirely

¹ [Reducing Paper Burden on Small Business - A Progress Report for 1995 by the President of the Treasury Board](#)

² [Speech from the Throne](#) (2002)

³ The PBRI defines "paperwork" or "red tape" as the time and resources spent by businesses to understand and comply with government rules and regulations relating to operating a business. It defines the "burden" as the administrative costs incurred above and beyond the normal day-to-day costs associated with running a business.

⁴ This evaluation defines small businesses as those with fewer than 100 employees and medium-sized businesses as those with 100-499 employees.

⁵ While the Minister of Industry has overall responsibility for the PBRI, the ACSBE reports to the Minister of State (Small Business and Tourism).

of representatives from the private sector, including entrepreneurs and representatives from industry associations. This was due to the conclusion of a 2009 review that while the ACPBR had been successful in producing recommendations of broad application, its public-private sector composition was considered to limit its capacity to make specific and targeted recommendations to address paperwork burden.

1.2 Program Description

The PBRI's goal is to relieve small and medium-sized enterprises (SMEs) of the excessive paperwork burden of regulatory compliance, and to foster an environment where they can thrive. It has two main components, namely, the Survey of Regulatory Compliance Costs (SRCC) and the Advisory Committee on Small Business and Entrepreneurship (ACSBE). These are further described below.

- *The SRCC:* This triennial survey provides cross-sectional statistical data on the cost of regulation to SMEs, so that the Government has reliable, objective data on these costs and trends. The SRCC is governed by a Letter of Agreement between Industry Canada and Statistics Canada, which lays out the work to be conducted and the terms of payment. Both collaborate on the design of the survey; Statistics Canada conducts it and provides the results to IC staff for analysis and reporting. To date, three surveys have been administered for the years 2005, 2008, and 2011.⁶
- *The ACSBE:* The ACSBE was created to provide information, advice and recommendations to the Government on the most important issues facing small businesses in Canada, including paperwork burden, with a particular focus on improving business access to federal programs and information. It is composed of up to ten members, including the Chair. The current ACSBE has nine members, of which the Chair is CEO of a business accelerator/incubator, another member represents an industry association and seven are individual business people from such industries as: high tech, software, food services, marketing, human resources, venture capital, and environmental services.

The PBRI is managed by the Policy and Liaison Directorate of Industry Canada's Small Business Branch (SBB), which maintains a small secretariat to support the ACSBE. In support of the Minister and the ACSBE, SBB identifies, analyzes and conducts policy research on small business issues, including regulatory and paperwork burden, as necessary, based on changing economic environments, shifts in policy or Ministerial direction.

In addition, SBB chairs two working groups: 1) the Interdepartmental SME Working Group, which serves as an interdepartmental forum on SME- and entrepreneurship-related issues across the federal government; and 2) the Federal/Provincial/Territorial (FPT) Small Business Policy Working Group (SBPWG), which provides a forum for sharing information and exchanging ideas on SME-related policy priorities and facilitating a better understanding of small business issues, including paperwork burden. SBB's Research and Analysis directorate works with Statistics Canada on the design and analysis of the SRCC.

⁶ Statistics Canada's [website](#) provides detailed information on the SRCC and its methodology.

1.3 Program Resources

The PBRI has a total budget of \$5 million over 5 years (2009-10 to 2013-14). Table 1 below shows the planned allocation of resources for the program.

Table 1 – Planned PBRI Resource Allocation

Planned PBRI Costs	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	Total
ACSBE	\$85,510	\$293,000	\$293,000	\$293,000	\$293,000	\$1,307,510
SRCC	\$286,000	\$0	\$1,603,560	\$287,000	\$0	\$2,176,560
Secretariat	\$228,490	\$321,860	\$321,860	\$371,860	\$321,860	\$1,515,930
Total	\$600,000	\$614,860	\$2,218,420	\$951,860	\$614,860	\$5,000,000

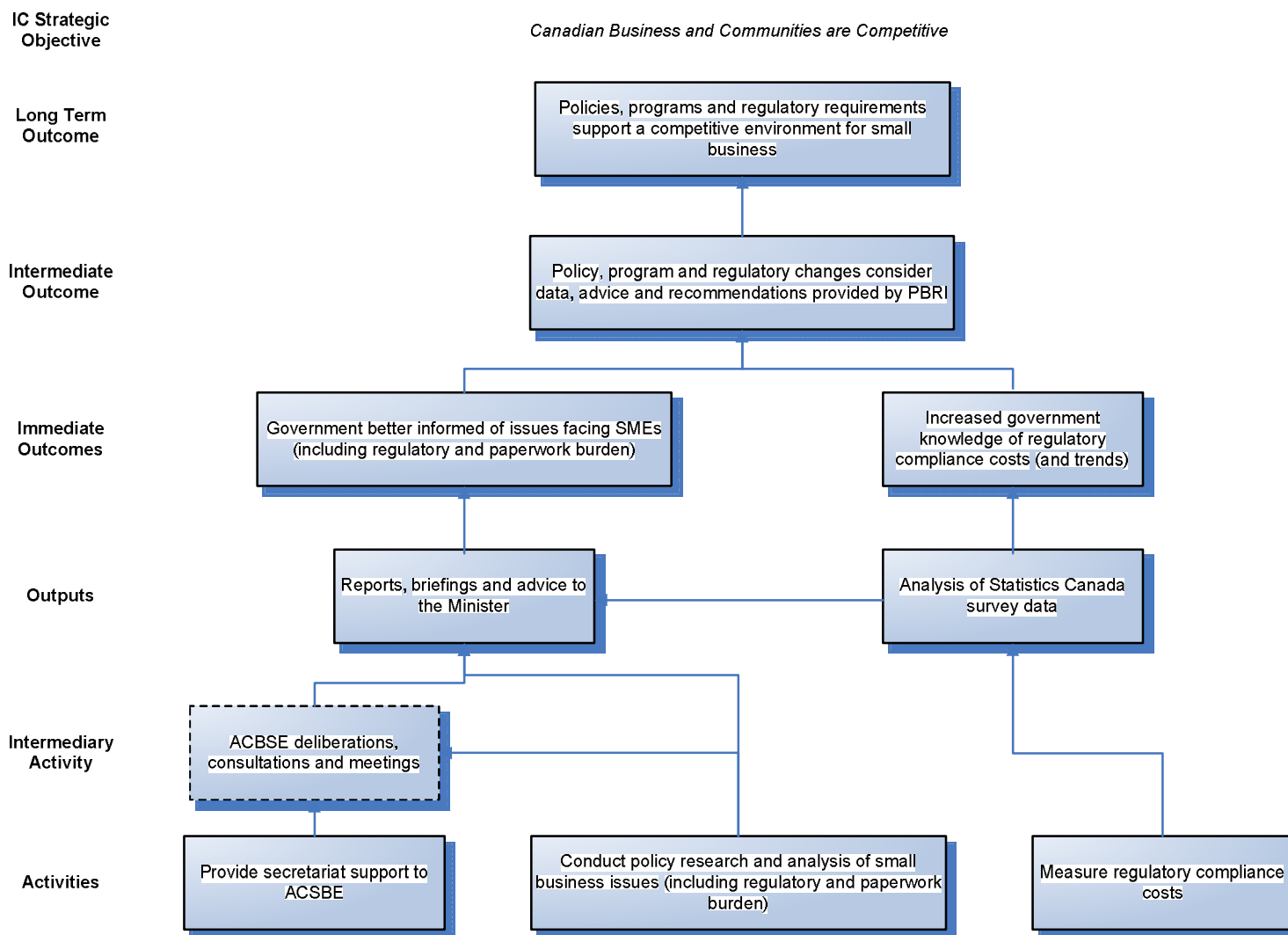
The majority of planned program funding is for operating expenditures related to the survey (\$2.2 million) and the committee (\$1.3 million). The Secretariat has approximately 2.5 FTEs to support to the ACSBE, design and analyze the survey, and perform additional work to support the PBRI as needed.

1.4 Expected Results

The PBRI is intended to result in policies, programs and regulatory requirements that support a competitive environment for small business. It seeks to achieve this by providing the Government with information and advice on the needs of small and medium-sized businesses and the extent of the regulatory burden they face.

The logic model for the PBRI was developed in 2009 as part of the program's Performance Measurement Strategy and subsequently updated in 2013 as part of the planning phase for this evaluation. The logic model presented in Figure 1 below outlines the program's inputs, activities, and outputs, as well as the intended short-term, intermediate, and longer-term outcomes.

Figure 1: PBRI Logic Model



2.0 METHODOLOGY

This section provides information on the evaluation approach, objective and scope, the specific evaluation issues and questions that were addressed, the data collection methods, and data limitations for the evaluation.

2.1 Evaluation Approach

This evaluation was goal-based, that is, it was based on the expected outcomes of the program as stated in its foundational documents and logic model. The evaluators measured the outcome variables using a variety of research methods. The evaluation study was conducted in-house by Industry Canada's Audit and Evaluation Branch (AEB).

2.2 Objective and Scope

An evaluation of the PBRI is required to fulfill a Treasury Board submission commitment to evaluate the program after the third Statistics Canada survey results on compliance costs have been obtained and analyzed. Given that the program ends in 2013-14, the evaluation will also be used to inform program renewal.

The evaluation addressed the core issues of relevance and performance in accordance with the Treasury Board (TB) Policy on Evaluation and Directive on the Evaluation Function. While the PBRI has existed since 2005, its emphasis shifted in 2009. The evaluation therefore focused on the initiative's immediate and intermediate outcomes, as it is too early to conclude on the current long-term outcome. The evaluation covered the period from April 1, 2009 to June 30, 2013.

2.3 Evaluation Issues and Questions

Based on the program's Performance Measurement Strategy developed in 2009 and revised in 2013, the evaluation addressed the following questions:

Relevance

1. Is there a continued need for the PBRI?
2. Does PBRI align with federal government priorities and Industry Canada's departmental strategic outcomes?
3. Does PBRI align with federal roles and responsibilities?

Performance

4. To what extent is the Government better informed of small business issues facing SMEs, including paperwork burden and regulatory compliance costs?
5. To what extent have the data, advice and recommendations generated by PBRI been considered in policy, program and regulatory changes?
6. To what extent has PBRI demonstrated economy and efficiency?

2.4 Evaluation Methodology

The methodology for this evaluation was calibrated to take into account the low materiality of the program. The PBRI accounts for 0.04% of Industry Canada's forecast spending for the 2013-14 fiscal year. Nevertheless, multiple lines of evidence were used to address all evaluation questions. The data collection methods included a document review, literature review, data analysis, and interviews.

Document Review

A document review was conducted to gain a thorough understanding of the PBRI and to gain insight into both the relevance and the performance of the program. Key documents reviewed included Government of Canada Budgets, Speeches from the Throne, legislation, policies, directives, Treasury Board submissions, statistical reports, and relevant documents produced by third parties.

Literature Review

This review focused on the need for compliance burden reduction, comparisons of approaches taken in different jurisdictions, and different methods of measuring the burden. Included in the review were relevant reports of business associations, the Organisation for Economic Co-operation and Development (OECD), and academics. A list of the articles and reports reviewed is contained in Appendix A.

Interviews

The objective of the interviews was to gather in-depth information for evaluation purposes, including views, explanations and factual information that address the evaluation questions. Interviews allowed evaluators to gain insight into the performance of PBRI from the perspective of individuals with first-hand knowledge of various aspects of the program. The interviews were semi-structured in nature and designed to obtain qualitative feedback from a range of respondents. The interviews were conducted in-person where possible and, when not possible, by telephone. A generic interview guide is provided at Appendix B.

In total, 17 interviews were conducted with 22 individuals in the following groups:

- Industry Canada's Small Business Branch (7)
- Industry Canada's Strategic Policy Branch (2)
- ACSBE Committee members (4) & ACBPR Committee member (1)
- Treasury Board Secretariat – Regulatory Affairs (3)
- Statistics Canada (3)
- Department of Foreign Affairs Trade and Development (2)

Data Analysis

The data analysis focused on the results of the 2011 SRCC, and an analysis of PBRI financial information for the period from April 1, 2009 to March 31, 2013. The analysis informed the findings on continued need and performance, particularly with respect to economy and efficiency.

2.5 Limitations to the Data Collection Methods

Because the PBRI provides information and advice to the Minister in the form of reports, it is easy to identify the documents that constitute the program's outputs. However, in achieving the goals of easing the regulatory burden and fostering an environment in which SMEs can thrive, the Government incorporates other sources of advice into its decision making. It is therefore not possible to attribute with certainty that a given decision was the result of specific advice from the program. The evaluation sought to mitigate these issues through interviews, which provided necessary context to assess the achievement of outcomes.

3.0 FINDINGS

3.1 Relevance

3.1.1 Is there a continued need for the PBRI?

Key Finding: The evaluation found that there is a continued need for a program such as the PBRI. The survey addresses a need for reliable measures of the cost of regulatory compliance in Canada, whereas the ACSBE provides the government with a valuable source of advice on broader SME issues from a small business perspective.

Governments regulate economic activity for such reasons as the creation of predictable, transparent and fair markets. However, regulation comes with costs, and when the costs of those regulations outweigh the benefits, they become burdensome and can affect society and the economy by taking away resources from production and restricting economic growth.⁷ The literature review suggests that negative impacts of regulatory burden can include lower productivity, innovation, trade, investment and economic efficiency in general.

Regulatory costs and their impact fall disproportionately on small businesses, as these businesses have fewer resources to devote to compliance. Stated another way, the fixed costs of regulatory compliance for larger firms can be spread over a larger employee and revenue base. The most recent SRCC estimates that the total real cost of regulatory compliance for small and medium-sized enterprises (SMEs) in Canada stood at \$4.76 billion in 2011, down from \$4.86 billion in 2005 and \$4.84 billion in 2008 (all figures in 2011 dollars).⁸

Table 2 below illustrates the disproportionate impact on smaller firms. Specifically, firms with 1-4 employees bear twice the cost of compliance per employee as those with 5-19 employees, and almost seven times more than medium-sized firms with 100-499 employees.

Table 2 – Regulatory Burden by Size of Business

Size of business By number of employees	2011 SRCC		
	\$ per business	\$ per employee	% of revenues
0 (employer businesses)	\$1,034	N/A	0.49%
1-4	\$2,252	\$1,029	0.59%
5-19	\$4,406	\$476	0.30%
20-99	\$10,595	\$264	0.18%
100-499	\$24,960	\$149	0.18%

⁷ [Costs of Complying with Federal Regulations](#), a TBS background technical briefing for members of the Red Tape Reduction Commission (RTRC).

⁸ According to McKerchar *et al.* (2006) [Scoping study of small business compliance costs](#), the costs of compliance fall into five categories: internal (the cost of wages for compliance activities), external (fees paid to external service providers for assistance in meeting regulatory requirements), capital (cost of equipment and software purchased for the purpose of regulatory compliance), opportunity (lost sales or reduced productivity), and psychological (mental stress produced by compliance activities). The 2011 SRCC measures direct costs, indirect costs, and capital costs, but excludes opportunity and psychological costs as they are too difficult to measure accurately.

This is significant because SMEs constitute the largest segment of the Canadian economy. They account for approximately 99.9% of the total 2.4 million businesses operating in Canada.⁹ They represent 99.8% of Canada's employers, 97% of the country's exporters, and employ 90% of Canada's private sector workforce. Further, SMEs and entrepreneurship are crucial for innovation, job creation and economic growth, generating 54.3% of Canada's GDP.¹⁰

According to the Canadian Federation of Independent Business (CFIB), an industry association that advocates for SMEs, “[r]educing red tape has consistently been [small business]’ second highest priority: the only issue of higher concern is the total tax burden”. In its 2013 *Canada's Red Tape Report*, the CFIB highlights the negative impact of the burden on its members in stating that 68% of business owners said it lowered their productivity; 81% said it was a source of significant stress; 31% said that they might not have gone into business had they known the cost of regulation; and 63% said that excessive regulations discouraged them from growing their businesses.

The literature review confirms that governments need to take steps to reduce regulatory and administrative burden. Indeed, Canada's efforts to reduce paperwork and regulatory burden are part of a general movement across developed economies: “If there is a common thread spanning regulation across OECD countries over the past decade it is one of reform, with aims to create better and more streamlined regulation that can add transparency and predictability to regulatory processes... a focus on ‘red tape’ reduction...has swept across Canada in recent years.”¹¹ The OECD highlights the following benefits in reducing red tape: “i) innovation can be encouraged through efficiency gains, ii) entrepreneurship can be favoured by fewer administrative burdens, releasing resources otherwise devoted to red tape, and iii) better public governance can be attained with more effective tools available for policy implementation.”¹²

Accomplishing this requires both accurate measurement of the burden, and advice on how to reduce it. In its Red Tape Report, the CFIB emphasizes that the “importance of measurement cannot be overstated, it is impossible to have accountability without it.” One interviewee echoed this, stating: “if the government is serious about reducing paperwork burden, it needs an accurate appreciation of the extent of the problem, and a way of measuring progress.”

The Survey of Regulatory Compliance Cost (SRCC) fulfils this need by providing the Government of Canada with its own objective and methodologically rigorous measure of the regulatory burden. Until the first SRCC in 2005, the Government was not in a position to evaluate claims about the burden, as it lacked a baseline of objective data. The GoC now has cross-sectional data derived from three successive surveys, and recent improvements made to the 2011 survey now make it more comprehensive with the inclusion of capital costs and estimates of the total regulatory compliance for all sectors of the Canadian economy. Interviews noted the importance of the SRCC, given its objectivity and rigour. Furthermore the level of granularity in

⁹ Key Small Business Statistics, Industry Canada (2012). Of these, approximately 1.1 million are employer businesses with no employees; 1.1 million are small businesses with 1-99 employees; and 18,000 are medium-sized businesses with 100-499 employees.

¹⁰ Statistics Canada Research Paper (2005) “[Small, Medium-sized and Large Businesses in the Canadian Economy: Measuring Their Contribution to Gross Domestic Product in 2005](#)”

¹¹ T. Krawchenko, [Provincial regulatory reform in Canada compared \(2012\)](#)

¹² OECD, [Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers](#) (2009)

the survey gives individual regulatory departments the compliance cost for their own regulations. This level of granularity is also important for provinces and territories, which use the SRCC's detailed information on regulatory costs for their jurisdiction.¹³ These data cannot be obtained from any other source.

The value of ACSBE is that it provides the perspective of small business to Government both formally through its written reports to the Minister, and informally at face-to-face meetings. Given that the business and regulatory environments are in constant flux, small business owners and entrepreneurs are well placed to identify emerging issues and advise the Government on them because they are the first to be affected and are directly interested in finding solutions.

It is therefore appropriate that the Government have an advisory body to provide ongoing interaction and advice on small business issues. The ACSBE brings together representatives from small and medium-sized businesses in different economic sectors from across the country (including the CFIB, a key industry association), and can broaden its reach by consulting through subcommittees and roundtables. There is flexibility in the setting of ACSBE's mandates and the committee has considerable autonomy in the way it conducts research and consultations when preparing advice for the GoC.

Several interviewees commented on the importance of the committee as "the voice of the entrepreneur," being able to provide direct, unfiltered advice on small business related issues to the Minister. It was also underlined that ACSBE was an especially useful source of private sector views that could not be obtained otherwise.

3.1.2 To what extent do the objectives of PBRI align with federal government priorities and Industry Canada's departmental strategic outcomes?

Key Finding: The PBRI aligns with Government priorities articulated in federal Budgets and Speeches from the Throne to reduce the administrative burden of regulation on small and medium-sized enterprises and create a competitive business environment for them. It is also aligned with Industry Canada's strategic outcomes.

The PBRI is consistent with federal government priorities to streamline regulation and reduce the regulatory and paperwork burden on business. The *Cabinet Directive on Streamlining Regulation* was promulgated in 2007 to, *inter alia*, "promote a fair and competitive market economy that encourages entrepreneurship, investment, and innovation", "make decisions based on evidence" and "advance the efficiency and effectiveness of regulation by ascertaining that the benefits of regulation justify the costs." The PBRI responds to this by providing objective data to quantify the cumulative regulatory burden across federal and provincial/territorial government departments and agencies. As such, it underpins the Government's ability to measure the current state of, and trends in, regulatory burden, and to create conditions favourable for entrepreneurship.

¹³ Several provincial governments contract with Statistics Canada to increase the sample size in their jurisdiction in order to have statistically significant results at the level of their province.

Further to this directive, the Government has made a number of statements within the evaluation period that demonstrate a consistent commitment to reducing the paperwork burden and improving regulation, as demonstrated in Table 3 below. Particularly noteworthy during this period was the Red Tape Reduction Commission (RTRC), which was given the mandate to identify irritants to business stemming from federal regulatory requirements that have a clear detrimental effect on growth, competitiveness and innovation, and to recommend options that address the irritants on a long-term basis. The RTRC was chaired by the Minister of State (Small Business and Tourism) and throughout the period the Commission was active, there was close coordination between the RTRC Secretariat, the PBRI Secretariat and the Chair of the ACSBE.

Table 3 – Recent Government Statements in Support of Small Business Issues

Announcement	Relevant Passage	Analysis
2010 Speech from the Throne	“Small and medium-sized businesses are the engines of the Canadian economy, responsible for the creation of most new jobs. To support them, our Government will continue to identify and remove unnecessary, job-killing regulation and barriers to growth.”	Acknowledges the importance of SMEs to the economy, and commits to reducing the regulatory burden.
Budget 2010	“A commission, involving both Parliamentarians and private sector representatives, will be established to review federal regulations in areas where reform is most needed to reduce the compliance burden and provide specific recommendations for improvement.”	The RTRC is announced, with a specific commitment to reducing the compliance burden.
2011 Speech from the Throne	“...our Government will continue to cut red tape for small businesses so that they can focus their attention on growing their businesses and creating jobs.”	Reiterates the commitment to cutting red tape for small businesses.
2011 Budget	“The Government... has taken decisive action to address barriers faced by entrepreneurs, including by reducing taxes and red tape, improving access to business financing...” “The Government has declared 2011 the Year of the Entrepreneur, in order to help increase public awareness of the important role played by small businesses.”	Touches on the importance of entrepreneurs and broader issues facing them, such as access to financing. This supports the broader orientations of ACSBE in addressing issues other than paperwork burden.
Economic Action Plan 2012 (2012 Budget)	“The President of the Treasury Board will develop an Action Plan to address the [RTRC’s] Recommendations Report in the coming months to deliver better regulations that reduce frustration and lower costs for Canadian business.” “The Government is taking action to improve the competitive position of job-creating Canadian businesses... Reducing red tape through the “One-for-One” Rule...”	Commits to responding to the RTRC’s recommendations to lower the cost of regulation. The “One-for-One” Rule responds to an RTRC recommendation. Makes link between regulation and a competitive business environment.
Red Tape Reduction Action Plan (2012)	“Reducing red tape is one of the most important measures a government can take to support a flourishing and healthy business environment, which is the foundation for creating jobs and long-term prosperity. The Government of Canada has shown an unwavering commitment to this goal; through greater regulatory coordination with the United States, a more streamlined and predictable approvals process for major natural resource projects and the Paperwork Burden Reduction Initiative, which cut the paperwork burden by 20 per cent.”	Carries through on Budget 2012 commitment. Makes link between reduced regulatory burden and the broader business environment. Acknowledges the contribution of the PBRI to reducing the paperwork burden.

Announcement	Relevant Passage	Analysis
Economic Action Plan 2013 (2013 Budget)	“The Government remains resolute in its commitment to eliminate unnecessary red tape from Canada's regulatory system, while maintaining Canada's high standards for safety and protection. The One-for-One Rule and other Red Tape Reduction Action Plan reforms are bringing a new discipline to how the Government regulates and creating a more predictable environment for businesses.”	Reiterates the commitment to reduce red tape and regulatory burden.

Several of the RTRC’s recommendations¹⁴ were incorporated into the 2012 *Cabinet Directive on Regulatory Management*, which reinforces the government's commitment to reducing the regulatory burden on Canadian businesses, ensuring that regulators are sensitive to the needs of small businesses, and are creating a more predictable and transparent regulatory environment to enable business development and economic growth. The PBRI responds to two principles of the *Directive*, namely, to make decisions based on evidence and to monitor the administrative burden.

The PBRI falls under “Small Business Growth and Prosperity” in IC’s Program Alignment Architecture (PAA), contributing to the department’s Strategic Outcome 3, “Canadian businesses and communities are competitive.” It is grouped with other programs, such as BizPaL, that contribute to enhancing the business environment for SMEs.

3.1.3 Are PBRI’s objectives and activities consistent with federal roles and responsibilities?

Key Finding: The PBRI’s objectives and activities are consistent with federal responsibilities for small business attributed to the Minister of Industry. These include strengthening the Canadian marketplace and coordinating with the provinces in an area of shared jurisdiction. The PBRI’s activities are not duplicated elsewhere.

Within the federal domain, the objectives of the program fall under the *Department of Industry Act* of 1995. According to this legislation, the powers, duties and functions of the Minister of Industry extend to matters relating to “small businesses”. These powers are to be exercised in a manner that will “strengthen the framework for the development and efficiency of the Canadian marketplace”. In so doing, the Minister shall “collect, gather, by survey or otherwise, compile, analyse, coordinate and disseminate information...” and “promote cooperation with the governments of provinces.”¹⁵ The Minister of Industry is assisted in the area of small business by the Minister of State (Small Business and Tourism), in accordance with the provisions of the *Ministries and Ministers of State Act* of 1985.¹⁶

¹⁴ These include an annual scorecard report, the application of the one-for-one rule, and the small business lens, which aims to minimize the regulatory burden on small businesses.

¹⁵ Sections 4(1)(n), 5(f), 6(b) and 6(d) of the *Department of Industry Act*, respectively.

¹⁶ Section 11 of the *Ministries and Ministers of State Act*.

While IC is the federal lead department for small business issues, SMEs are a horizontal policy issue that cuts across the mandates and responsibilities of more than 15 federal departments and agencies, which are represented on the Interdepartmental SME Working Group that IC (SBB) chairs. Other federal small business-related initiatives are complementary, not redundant. For example, the Red Tape Reduction Commission's mandate overlapped with the paperwork burden part of the PBRI, so ACSBE focused its work on broader small business and entrepreneurship issues for the duration of the program so as not to duplicate effort. Other examples are the Department of Foreign Affairs, Trade and Development's (DFATD) "Small and Medium-sized Enterprises Advisory Board" and CRA's Action Task Force on Small Business Issues, which focus on issues specific to their department's mandate.¹⁷

There is a clear federal role in this area, but provincial and territorial governments also regulate within their jurisdictions and have departments or agencies with mandates to support small and medium-sized business. Most provinces have likewise adopted initiatives to reduce administrative and/or regulatory burden.¹⁸ This shared jurisdiction creates a need for federal-provincial/territorial collaboration and information sharing, which is facilitated by the FPT Small Business Policy Working Group, chaired by IC (SBB).

¹⁷ The DFATD SME Advisory Board provides the Minister of International Trade with advice and recommendations on the commerce-related priorities, policies, programs and services of DFATD in support of SMEs, and informs the Minister of business impediments and issues of concern to SMEs related to international trade. IC's Small Business Branch has permanent observer status on this committee. CRA's Action Task Force on Small Business Issues operated from 2006 to 2011 and took 61 actions to reduce the tax compliance burden on small businesses (see [Closing Report on Action Items – October 2011](#) on the CRA Website).

¹⁸ T. Krawchenko, [Provincial regulatory reform in Canada compared](#). See also the CFIB's [Red Tape Report Card 2013](#).

3.2 Performance

3.2.1 To what extent is the Government better informed of small business issues facing SMEs, including paperwork burden and regulatory compliance costs?

Key Finding: The Government is better informed of issues facing small businesses because of the PBRI. Specifically, the surveys have improved the Government's understanding of the extent of the regulatory burden faced by SMEs in Canada. Through ACSBE's work, the Government is better informed on SMEs' perspectives, particularly with respect to issues concerning business financing and entrepreneurship.

3.2.1.1 Regulatory Compliance Costs

Measuring the burden of regulatory compliance costs has become an important part of burden reduction programs and simplification strategies worldwide. These costs can be measured in a number of ways. In Canada, the SRCC was developed with PBRI funding to capture similar information to that in the widely used Standard Cost Model (SCM) developed in the Netherlands (2000), but in a less onerous manner. This survey-based tool, distributed to over 30,000 SMEs and 5,000 professional service providers across the country, measures and monitors changes in the time and costs incurred by SMEs to comply with the information obligations of government regulation.

The first SRCC was conducted in 2006 for the 2005 calendar year. It measured the burden stemming from the 11 regulations that were considered the most burdensome to the largest number of businesses across Canada, in the 5 sectors of the economy that have the highest concentration of SMEs.¹⁹ It found that the total regulatory cost of compliance was \$1.52 billion²⁰. The 2008 survey quantified the total regulatory cost of compliance at \$1.53 billion. A management review of the PBRI concluded in 2009 that the SRCC was reliable, credible and valid. While acknowledging that its scope was limited, it recognized the SRCC as the most significant and objective measure of compliance costs available.

The 2011 SRCC was improved in several ways to build a more complete picture of the total cost of regulatory compliance in Canada. First, it was expanded to capture capital costs, as well as the direct and indirect costs that were measured in previous surveys. Second, it gathered additional aggregate data covering all other federal, provincial and municipal regulations that impact SMEs, and asked qualitative questions to obtain perceptions regarding regulatory compliance. Third, it produced an estimate of the compliance cost for all 20 economic sectors. As a result, the 2011

¹⁹ The 11 regulations are: Payroll remittances; Record of Employment; T4 Summary and Individual T4s (incl. RL forms in Québec); Workers' Compensation Remittances; Workers' Compensation Claims; Federal/Provincial Business Income Tax Filing; Federal/Provincial Sales Tax; Corporate Tax Installments; Corporate Registration; Mandatory Statistics Canada Surveys; and Provincial and Municipal Operating Licenses and Permits. These regulations were initially identified by the ACPBR based on consultations with business owners, service providers, and departmental specialists. Provincial and municipal operating licenses were reported separately in the 2005 and 2008 SRCCs, which explains why those surveys refer to 12 regulations. The five sectors are: manufacturing; retail trade; professional, scientific and technical services; accommodation and food services; and other services.

²⁰ All amounts have been adjusted for inflation and reported in real 2011 dollars.

SRCC estimates the economy-wide total cost of regulatory compliance to be \$4.76 billion, compared to \$1.52 billion estimated for the 11 regulations in five sectors in 2008.

As a result of the SRCC, the government is better informed of the extent of the regulatory burden faced by small businesses in Canada. The survey's triennial nature has enabled the government to track and report on changes in the paperwork burden facing small business, and provides a credible tool with which to conduct analysis and to support initiatives to reduce costs and burden. The analysis of survey results developed by SBB is published and shared with the Minister of State, IC senior management, other government departments, and provinces and territories. The survey data has supported the work of the RTRC, the CRA's Action Task Force on Small Business Issues, as well as the committees under the PBRI.

The government has advanced from limited information and no benchmark to a more accurate assessment of regulatory compliance costs. Interviewees underlined that the SRCC is the most significant and objective measure of compliance costs available to measure trends in Canada.

3.2.1.2 Small Business Issues (including Paperwork Burden)

To date, the ACSBE has met eight times face-to-face and three times by teleconference, and provided three separate reports to the Minister, namely, on the renewal of BizPaL (2010), the Business Development Bank of Canada (BDC) ten-year legislative review (2011), and on Canada's entrepreneurial advantage (2013). The first two were requested by the Minister and responded to the committee's role for providing advice "on improving business access to federal programs and information." In contrast, entrepreneurship was first raised by the Committee as one of the "most important issues facing small business", and accepted by the Minister.

ACSBE's work on BizPaL focused on the optimal allocation of the service's budget, options for alignment and integration with other federal services aimed at small businesses, and how to increase its level of usage. For the BDC, the committee conducted roundtable consultations and looked at the BDC's market presence, its complementary mandate, its reach to different types of entrepreneurs and regions of the country, and its role in supporting high potential firms through venture capital. ACSBE also conducted roundtable consultations on entrepreneurship, and reported to the Minister with a summary of the feedback it had received, identified critical gaps and disincentives in the Canadian entrepreneurial landscape, and suggested ways to address those gaps and disincentives and promote entrepreneurship. A common theme of ACSBE's work on both the BDC legislative renewal and entrepreneurship was business financing.

Committee members and Industry Canada personnel interviewed felt that ACSBE's advice definitely had an impact and provided valuable information — for the government in general and the department specifically — that it could not obtain from any other source. For example, ACSBE's roundtable consultations with venture capitalists, angel investors, professional service providers, government officials and entrepreneurs in six different cities across Canada yielded input to the BDC's legislative review that provided additional perspectives to that of the Standing Senate Committee on Banking, Trade and Commerce.

It should be noted that since the renewal of the PBRI in 2009, the emphasis of the program has shifted from an exclusive focus on paperwork burden reduction to other small business issues. This shift is reflected in the varying levels of importance that ACSBE members accorded to reducing paperwork burden relative to other small business issues. Many ACSBE members are in high growth fields, such as high technology and venture capital, which have different priorities and operate in a different business environment from the more traditional small businesses. This underlines the fact that small businesses attach importance to a number of other issues beyond paperwork burden reduction, and that ACSBE is a useful means of raising such issues with the Government.

During the review period, ACSBE did not specifically look at the issue of paperwork burden. This was appropriate because of the work of the Red Tape Reduction Commission, but moving forward, the committee may be asked to do more on paperwork burden. To the extent that this is the case, consideration will need to be given to structuring the committee in such a way that the interests of the members are matched with the different aspects of ACSBE's mandate.

3.2.2 To what extent have the data, advice and recommendations generated by PBRI been considered in policy, program and regulatory changes?

Key Finding: Information generated by the PBRI has informed the work of federal and provincial government departments and the Red Tape Reduction Commission. The data produced by the survey has been used by departments to support their efforts to reduce regulatory compliance costs, whereas the advice provided by ACSBE has been considered by the Government in decisions regarding program and policy renewal.

Federal regulatory departments and agencies have used the data produced by the SRCC to support their decision making because it is considered the most objective and reliable source of information on the costs of regulatory compliance. These include TBS's Regulatory Affairs Sector, the Department of Finance's Economic Development and Corporate Finance branch, and Statistics Canada. In addition, CRA's Action Task Force on Small Business used data from the SRCC to populate the performance indicators in its Performance Measurement Framework for Compliance Burden, and to take specific actions to reduce the compliance burden on its clients. Each iteration of the SRCC allows departments to measure their progress toward reducing the compliance burden, which they could not otherwise do.

Some provincial governments have used detailed SRCC data on their jurisdictions to support their own regulatory burden reduction efforts. These include Ontario (Ministry of Economic Development, Trade and Employment), Alberta (Alberta Environment and Sustainable Resource Development) and Nova Scotia (Nova Scotia Economic Development).

The RTRC also made extensive use of information generated by the PBRI: program staff provided the RTRC Secretariat with the 2005 and 2008 SRCCs and briefed them on the previous work of the PBRI, including the ACPBR's reports and recommendations. Interviews with senior members of TBS Regulatory Affairs Sector confirm that the PBRI's products did inform the RTRC's work. Among other things, the RTRC recommended changes in the GoC's approach to

regulation which were incorporated into the 2012 Cabinet Directive on Regulatory Management, such as the “one-for-one rule” and the “small business lens.” Furthermore, the Red Tape Reduction Action Plan referred to the PBRI directly when it committed to refreshing, by September 2014, “that part of the Paperwork Burden Reduction Initiative inventory, which identified requirements in federal regulation that impose administrative burden on business.”

Similarly, the studies and advice generated by ACSBE have been used to inform program and policy renewal and feed into the budget process. This conclusion is supported by interviews in which members of ACSBE said that they saw their work reflected in subsequent Government announcements. Departmental staff also shared this view.

3.2.3 To what extent has PBRI demonstrated economy and efficiency?

Key Finding: The evaluation found that the PBRI has demonstrated economy and efficiency. The ACSBE has an economical structure and has been effectively supported by the Secretariat. The survey’s scope and quality has increased over time while its costs have been reduced, demonstrating increased operational efficiency.

An analysis of planned versus actual costs was conducted to assess the economy and efficiency of the PBRI. This approach was considered appropriate, given the low materiality of the initiative. Furthermore, given that the PBRI is still relatively early in the life cycle of it revised mandate, as assessment of allocative efficiency would be difficult at this time. In addition, the evaluation team examined the effectiveness of the ACSBE and the Secretariat, as well as measures the program has taken to reduce costs.

3.2.3.1 Comparison of Overall Planned versus Actual Costs

The PBRI is a relatively small program, with a total of \$5 million authorized over five years. The comparison of planned and actual costs shown in Table 4 shows that the cumulative costs of the PBRI over the first four years of the program are more than \$1 million lower than planned.

Table 4 – Comparison of Planned and Actual PBRI Costs (2009-10 to 2012-13)

Planned PBRI Costs	2009-2010	2010-2011	2011-2012	2012-2013	Total
ACSBE	\$85,510	\$293,000	\$293,000	\$293,000	\$964,510
SRCC	\$286,000	\$0	\$1,603,560	\$287,000	\$2,176,560
Secretariat	\$228,490	\$321,860	\$321,860	\$371,860	\$1,244,070
Total	\$600,000	\$614,860	\$2,218,420	\$951,860	\$4,385,140
Actual PBRI Costs	2009-2010	2010-2011	2011-2012	2012-2013	Total
ACSBE ²¹	\$546	\$40,146	\$48,072	\$65,055	\$153,819
SRCC	\$278,033	\$6,535	\$1,420,000	\$300,000	\$2,004,568
Secretariat	\$203,490	\$321,860	\$321,860	\$321,860	\$1,169,070
Total	\$482,069	\$368,541	\$1,789,932	\$686,915	\$3,327,457
<i>Total Variance</i>	<i>\$117,931</i>	<i>\$246,319</i>	<i>\$428,488</i>	<i>\$264,945</i>	<i>\$1,057,683</i>

²¹ The \$546 reported for 2009-10 was incurred for the ACPBR, not ACSBE.

The variance can be attributed to significantly lower actual expenditures than planned for both the ACSBE (\$810,691) and the SRCC (\$171,992). Direct ACSBE expenses averaged approximately \$51,000 annually in the years it operated. After adjusting for savings related to circumstance,²² actual expenses were more than \$350,000 less than planned, largely due to significantly lower expenses for members' travel, accommodation and meeting hospitality.

3.2.3.2 ACSBE and the Secretariat

The ACSBE provides advice to government at a minimal cost. The members provide their time and effort for free, receiving only reimbursement for their travel and accommodation-related expenses when travelling for the committee. The only exception to this is the Chair, who shoulders a considerable additional workload for planning and leading ACSBE's work, and coordinating with the Minister and the PBRI Secretariat. The Chair receives a *per diem* in compensation for this. Alternative approaches could be to compensate all members for their time through a *per diem*, or treat the committee members as contractors and pay them for each report. Both of these options would be more expensive.

The PBRI Secretariat provides research and performs administrative functions to support the Committee. Funding for the Secretariat covers the salary costs of approximately two and a half FTEs. This includes the manager of the PBRI and one economist directly supporting ACSBE, as well as a senior economist responsible for the design and analysis of the SRCC. The Secretariat is small, but has been effective in satisfying ACSBE members with its level of support.

Overall, the staff resource levels appear to be appropriate. When asked about the adequacy of resources for the PBRI, program managers replied that they were at minimal levels, and that staff from elsewhere in the Policy and Liaison Directorate were brought in for additional support during peak periods. In contrast, there is a lower workload when ACSBE is not meeting; at such times, PBRI resources work on other small-business related activities for which SBB is responsible.

During interviews, ACSBE members were asked for their views on the effectiveness of the Secretariat support they received. In all cases, the members noted the high quality of support provided by the Secretariat. One also commented that at least one member's opinion of the public service in general had changed for the better because of the high standard of professionalism demonstrated by IC staff.

3.2.3.3 Survey of Regulatory Compliance Costs

The program has also taken steps to reduce the cost for the survey. Statistics Canada's initial estimate for the expanded 2011 survey was \$2,442,868, significantly higher than originally planned. PBRI staff negotiated with Statistics Canada to reduce that cost, which led to a decision to shift data collection to an electronic questionnaire (EQ) for the first time. This measure

²² For example, some \$100,000 of the variance can be explained by the fact that ACSBE did not incur any expenses in the first year because it was still being set up. In addition, \$500,000 of the funding was set aside to support specific activities "that have the potential to lead to concrete measures for reducing paper burden", which was not needed given that the committee's specific mandates were not focused on paperwork burden in recognition of the RTRC's activities.

reduced the cost of the survey by over \$700,000 by eliminating the requirement to convert survey responses from paper to electronic format, and reducing the number of telephone follow-ups with respondents through greater use of email. Statistics Canada reports that they have received positive feedback from respondents, because filling out the EQ is less onerous for them than a paper-based survey.

Considering that the 2011 survey is more comprehensive than previous iterations as a result of continuous improvement, the SRCC has made clear gains in operational efficiency, while at the same time reducing the burden on respondents.

4.0 CONCLUSIONS

Regarding the relevance and performance of the Paperwork Burden Reduction Initiative, the following conclusions can be reached.

4.1 Relevance

- There is a continued need for the PBRI as the survey addresses a need for reliable measures of the cost of regulatory compliance in Canada, and ACSBE provides the Government with a valuable source of advice on broader SME issues from a small business perspective.
- The PBRI aligns with Government priorities expressed in federal Budgets and Speeches from the Throne, and with Industry Canada's strategic outcomes.
- The PBRI's objectives and activities are consistent with federal responsibilities for small business attributed to the Minister of Industry.

4.2 Performance

- The PBRI is achieving its expected immediate and intermediate outcomes.
- The Government is better informed of issues facing small businesses because of the work of ACSBE. Further, the surveys have improved the Government's understanding of the extent of the regulatory burden faced by SMEs in Canada.
- Information generated by the PBRI has informed the work of federal and provincial government departments and the Red Tape Reduction Commission to support their efforts to reduce regulatory compliance costs.
- The ACSBE's advice has been considered by the Government in decisions regarding program and policy renewal.
- The PBRI has demonstrated economy and efficiency. Actual costs are lower than planned and the program has taken steps to reduce the costs of the survey. The committee structure is economical and the secretariat is seen as effective.

Overall, the evaluation did not find any major issues with the PBRI and as a result makes no recommendations.