



GEORGE MORRIS CENTRE

**Regulatory Innovation in Canada's Agri-Food Sector:  
The Time Has Arrived**

**Bob Seguin  
Executive Director**

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## **Introduction**

For the past number of years, Canadian businesses have routinely identified the burden of regulation and the cost of red tape as key barriers to economic growth. Reductions in the number, breadth, and reporting requirements under various federal or provincial regulations have been a priority for all Canadian businesses, including those within Canada's agri-food sector. The inability to achieve major reductions or improvements in processes to reduce costs/time (regulatory burden) have also been identified as barriers to innovation, particularly where Canada's legislative and regulatory regimes seem to be far behind those of competing jurisdictions.

A key reason for this lack of action at the federal or provincial levels has usually been attributed to lack of "political will". This has been seen as the lack of decisive action, leadership and process to "break" whatever bureaucratic or policy barriers exist to achieving reform or innovation in Canada's regulations in the agri-food sector.

Now, in 2012, the Canadian agri-food sector is facing a feast of regulatory reform activity at the federal level. This is matched to a degree by regulatory changes or reform processes across almost all of the provinces. It would seem that for a number of reasons the "political will" is now evident to propose initiatives to update, reduce, remove and overall to be more innovative in Canada's agri-food regulatory regimes.

The challenge now is to solidify agri-food sector action to realize the prospective benefits of these innovations and reforms. To do so, the sector-the industry associations and individual firms- must work with governments to focus on the priorities for action, develop the analysis to argue and defend the proposals or changes as required, and reinforce the direction of the governments with reasoned comments to sustain its momentum. It would be a major loss to the future competitiveness and innovation of this sector, if these opportunities for change were not successful or did not achieve the full measure of improved regulatory activity which would benefit the Canadian agri-food sector, and Canadian citizens.

## **The Challenge**

Over the past months the Government of Canada has introduced a series of legislative and regulatory initiatives which do affect the future growth and innovation in the agri-food sector. These initiatives include, Bill C-38 to implement the 2012 Federal Budget, the newly introduced Safe Foods for Canadians Act, amendments to Meat Inspection Regulations, proposals to remove restrictions on container sizes, regulatory reform initiatives at both levels of government, and the ongoing efforts of the federal Regulatory Cooperation Council among others.. It is too early, and too detailed to determine which of these initiatives will fully satisfy all requirements for passage and implementation. It is also premature to verify which of the proposed changes will be modified or reversed due to industry comments or those of non-food sector participants with different views on these initiatives. But it is clear that the momentum for regulatory change now exists.

The challenge is now whether there is the capacity of the Canadian agri-food sector to inform, analyze, comment, and support –as appropriate-these initiatives. That capacity and leadership are

critical to eventual passage and effective implementation of these legislative and regulatory initiatives

To best utilize the anticipated consultation, or legislative review processes, solid information and analysis focusing on overall net benefits, reduced risks to Canadian consumers, opportunities for improved domestic or foreign market activity, enhanced innovation, and reduced costs should be undertaken. This case for regulatory innovation and reform will require a great deal of effort, time and commitment from the agri-food sector- from large and small/medium-sized enterprises (SME's) from across the sector. It will also be important for the sector to ensure that all Canadians, including those who may be opposed to various legislative or regulatory reform initiatives, have an understanding of the capacity, efficacy, science basis, and technology and management underpinning the new regulatory regime.

Industry groups have been broadly supportive of the Government of Canada's recent regulatory reform initiatives. A number of industry groups, as well as individual businesses or their leaders are involved already. Most businesses in Canada have taken similar supportive tones with various regulatory reform initiatives-such as the Open for Business efforts in Ontario, or the Red Tape Secretariat activities at the federal level. This is needed. But, there is even more work and leadership required to analyze and propose case studies to show impacts, indicate needed investments in technology/training to implement the desired reforms, and to ensure that the passage of the legislation or regulation is matched by smooth implementation. For the Canadian agri-food sector far more work has to be done. This is particularly true for those SMEs within the Canadian agri-food sector.

### **Regulatory Cooperation Council (RCC)**

One key longer term initiative proposed by both Canada and the United States has the highest level of political will given the full support of the Prime Minister and President to this 2011 initiative. The RCC is a joint Canada-US initiative to better align the countries' regulatory approaches where possible. Such efforts would reduce barriers to trade, improve border flows, enhance regulatory innovations, and reduce costs to both industry and governments while protecting the safety of each nation's citizens.

Progress to develop, announce, and then fulfill a number of more practical action plans is well underway for the 29 separate activities agreed to by both national governments. There are 10 priority agri-food sector work plans now identified and in process for completion before the end of the two year mandate for the RCC. Efforts to fully engage the respective agri-food industries and associated participants and sub-national governments are also well underway.

However, the ambition of this joint national effort may also strain the capacity of the regulatory regimes of both national governments and their agri-food industries. Momentum must be maintained, and analysis developed to support practical steps to respond to these work plans leading to identifiable changes to improve the current situation. While the RCC efforts are now well underway it is unclear if the full benefit of achieving needed changes between the regulatory agencies in each country will be seen through decreased costs of border movements, and increased efficiencies or innovations in each country

As the United States is both Canada's major customer and competitor, it is critical for the long term success of Canada's agri-food industry to develop and sustain improved border flows, as well as to reduce the unnecessary frictions in regulation/inspection of agri-food products between the two countries. It is evident that without such improvements being made, and sustained, there is a natural inertia to further thicken the border, increase the regulatory and differences between the two countries, reduce the integration of the two economies which will lead to more limited market access for Canadian agri-food products or services to its largest customer. This is not a desired long term vision for the sector or one which will sustain prosperity for this sector

## **Conclusion**

For 2012 and 2013, Canada's agri-food sector has a unique opportunity to move increased innovation, cost reduction, self-regulation forward to the benefit of Canadian consumers, industry and governments. The "political will" to initiate these efforts is evident-across both levels of government. The ability of governments to eventually pass and implement these changes will be dependent upon the capacity of Canada's agri-food sector provide the necessary leadership, discipline and analysis to support the priority efforts to reduce regulatory burden and provide enhanced regulatory innovation in this sector. The time for change which the industry has wanted for some time is now here.

Major successes in achieving regulatory innovation and reform while protecting the safety of Canadian citizens and global consumers of Canadian foods/beverages can sustain future efforts to continue such innovations. Limited success may undermine such future efforts. There is an expectation of the agri-food sector and its participants that not only will they support all/most of these initiatives, but will in turn provide ample analysis to indicate the economic growth and innovation opportunities as a result of successful implementation while sustaining the necessary levels of food safety for Canadians and others.