

## Corrigenda

### Page 31

Please note that the following sentence has been corrected. For reference, the original sentence follows.

*Correction*

In Canada, the federal government is presently developing a Market Assessment Tool (which will replace the Business Impact Test) to help regulators assess the regulatory impacts on businesses, consumers, competition, and trade. Its main objective will be to help regulators identify, analyze and understand the potential market impacts of regulatory proposals and report them in Cost-Benefit Analysis (CBA) and the Regulatory Impact Analysis Statement (RIAS)

*Original*

In Canada a Business Impact Test must be completed as part of the RIA requirement, with separate guidance on completing this requirement being published by the regulatory reform authority.

### Page 32

Please note that the following section has been corrected. For reference, the original section follows.

*Correction:*

The importance of capturing the benefits and costs across various parties is illustrated in the Canadian Cabinet Directive on Streamlining Regulation which states that:

When assessing options to maximize net benefits, departments and agencies are to: (1) identify and assess the potential positive and negative economic, environmental, and social impacts on Canadians, business, and government of the proposed regulation and its feasible alternatives; and (2) identify how the positive and negative impacts may be distributed across various affected parties, sectors of the economy, and regions of Canada.

*Original*

Indeed, this concern may underlie what can be interpreted as an explicit rejection of the principle of maximising net benefits as a BCA decision rule in Canada's 2005 draft RIA guidelines, which state:

[Regulators] should look at the overall benefits and costs to Canadians, business and government, and choose the option that is the most appropriate, not necessarily the one that offers the greatest benefit at the lowest cost.

## **Page 36**

Please note that the following paragraph has been corrected. For reference, the original paragraph follows.

### *Correction*

In Canada, according to the 2007 Cost-Benefit Analysis Guide, departments are expected to use the value of statistical life of CAD 6.11 million after adjusting it for inflation based on extensive literature reviews conducted by Environment Canada and the United States Environmental Protection Agency.

### *Original*

In Canada, the 1995 Benefit-Cost Analysis Guide for Regulatory Programmes, while not explicitly endorsing any particular value of a statistical life, notes that “most estimates are in the range of CAD 1-10 million”. However, it also notes that some Federal departments have developed their own explicit valuations of the cost of a life and implicitly endorses their use in the RIA context.

## **Page 38**

Please note that the following paragraph has been corrected. For reference, the original paragraph follows. The paragraph should be bulleted and added to the list of countries on this page.

### *Correction*

Canada recommends that a real rate of 8% be used as the discount rate for the evaluation of regulatory interventions in Canada. The discount weight represents the costs of funds from three sources described in its Cost-Benefit Analysis Guide, namely the rate of return on postponed investment, the rate of interest (net of tax) on domestic savings, and the marginal cost of additional foreign capital inflows.

### *Original*

In Canada, the Treasury Board Secretariat suggests using specialists to estimate discount rates that are appropriate to the particular regulatory context, but indicates that a social discount rate of around 10% is appropriate, with a range from 7.5% to 12% being acceptable. The Canadian Benefit-Cost Analysis Guide for Regulatory Programs (1995) cites an earlier (1976) guide and argues for a real discount rate of 10%, with sensitivity analysis to be conducted at 5% and 15%. These values seem substantially different to those cited above. However, the conceptual basis underlying the Canadian values is unknown.

## **Page 41**

Please note that the following paragraph has been corrected. For reference, the original paragraph follows. The paragraph should not be indented.

### *Correction*

In Canada, Sections 4.2 and 4.4. of the Cabinet Directive on Streamlining Regulation outline requirements for assessing and managing risk in a regulatory context. Risk assessment also represents a central element of the cost benefit analyses conducted in Canada and being reported in the regulatory impact analysis statements in accordance with the Canadian Cost-Benefit Analysis Guide.

### *Original*

In 2000, Canada adopted a detailed Integrated Risk Management Framework, but risk assessment scarcely appears in the framework, and is almost invisible in the 1995 RIA guide.

## **Pages 67-68**

Please note that the following paragraph has been corrected. For reference, the original paragraph follows.

### *Correction*

The Canadian Guide on Assessing, Selecting, and Implementing Instruments for Government Action includes an analytical framework to facilitate a disciplined approach to assessing, selecting, and implementing instruments to achieve public policy objectives. The framework sketches out a sequence of enquiry, specifies a methodological foundation, and provides guidance for a series of seven steps that departments should follow in the instrument choice process. The Regulatory Impact Analysis Statement that accompanies every regulatory proposal in Canada needs to include a statement to describe the issue that the regulation will address and why government intervention is needed through regulation.

### *Original*

For example, Canada's guidance document (dating from 1992) highlights the questions "does a problem or risk exist" and "is government intervention justified," but goes no further in indicating how the answers to these problems should be derived.

## **Page 69-70**

Please note that the following paragraph has been corrected. For reference, the original paragraph follows.

### *Correction*

In Canada, the draft Market Assessment Tool will serve as a framework to help regulators identify where potential impacts may occur, allowing further investigation, research and inquiry only when it is necessary. In this manner, the draft Market Assessment Tool eases the burden of analysis for both regulators and affected stakeholders while at the same time help regulators identify, analyze and understand the potential market impacts of regulatory proposals.

### *Original*

In Canada, neither the regulatory policy, the regulatory process standards nor the RIA guide address the issue of market failure and how this economic test can or should be employed in meeting the general threshold tests (set out in the regulatory process management standards) of ensuring that there is evidence "that a problem has arisen, that government intervention is required and that new regulatory requirements are necessary."

Even the guide to performing benefit-cost analysis in the regulatory context (Canadian Government, 1995) does not include a general discussion of market failure and its role in making the case for regulation.

## **Page 84**

Please note that the following paragraph has been corrected. For reference, the original paragraph follows.

### *Correction*

Canada recommends that a real rate of 8% be used as the discount rate for the evaluation of regulatory interventions in Canada.

### *Original*

Canada's BCA guide for regulation recommends that a default (real) social discount rate of 10% should be used (citing a Treasury Board BCA guide, published in 1976), with sensitivity analyses conducted at 5% and 15%.

Table 3.3 *Specific partial impacts explicitly required to be assessed in RIA (where relevant)*

Please add checkmarks for Canada under “competition”, “trade” and “administrative burdens”.

## ADDENDUM

### Update on Canada’s RIA Practices

Since the information was collected to produce this report, Canada has implemented a series of measures to further improve its regulatory impact analysis practices. This addendum provides a snapshot of recent developments in Canada with links to updated guides and documents.

#### ***Regulatory Policy***

In April 2007, the Government of Canada implemented the Cabinet Directive on Streamlining Regulation (CDSR). The Directive replaces the Government of Canada Regulatory Policy (1999), and introduces several key improvements, including a more comprehensive management approach with specific requirements for the development, implementation, evaluation and review of regulations.

This new approach will support the Government's commitment to protect and advance the public interest in health, safety and security, the quality of the environment, and the social and economic well-being of Canadians through a more effective, efficient and accountable regulatory system.

You can find the CDSR at: [www.regulation.gc.ca](http://www.regulation.gc.ca)

#### ***Regulatory Impact Analysis***

The Treasury Board of Canada Secretariat (TBS) has recently developed a new Regulatory Impact Analysis Statement (RIAS) which reflects the requirements of the Cabinet Directive on Streamlining Regulation. Some of these new requirements include applying performance measurement and evaluation, showing evidence of international regulatory cooperation, and making the scientific and socio-economic analysis available to the public.

The new RIAS further improves the regulatory system by demonstrating clearly the impacts of regulation on the quality of the environment, and the health, safety, security, and social and economic well-being of Canadians. It also encourages a more effective and efficient regulatory system by demonstrating the impacts of regulations on, for example competitiveness, consumers, administrative burden, small business and the minimization of inter-jurisdictional duplication.

The new RIAS became a requirement for all new regulatory proposals on April 1, 2008.

To find out more about the RIAS and consult the medium/high and low impact template, please go to [www.regulation.gc.ca](http://www.regulation.gc.ca) (under *Guidance and Support*)

## ***Triage***

The purpose of the Triage Statement is to assist regulatory organizations and TBS in promoting the principle of proportionality – that significantly more time and resources should be spent on high impact proposals than on low impact ones. The Triage Statement is a tool that assesses the level of impact of a regulatory proposal in its development stage and assists in aligning it at the outset with the varying requirements of the Regulatory Impact Analysis Statement. It must be completed as soon as a regulatory organization has made a decision to amend or introduce a regulation.

The objectives of the Triage Statement are to:

- facilitate early involvement by TBS in the regulatory development process to avoid delays that may occur at later stages in the process when requirements have not been met;
- assist regulatory organizations in focussing their efforts on regulatory proposals that have medium or high levels of impact;
- determine the appropriate CDSR requirements for each regulatory submission and the level of analysis required;
- support the use of the appropriate RIAS templates (Low impact versus Medium/high impact);
- assist in determining which proposals should be considered for exemption from pre-publication in Canada Gazette Part I; and
- support more consistent regulatory impact analysis across federal regulatory organizations.

The Triage Statement is available at: [www.regulation.gc.ca](http://www.regulation.gc.ca) (under *Guidance and Support*)

## ***Cost-Benefit Analysis***

One of the key requirements of the CDSR is that departments and agencies assess regulatory and non-regulatory options to maximize net benefits to society as a whole. In accordance with CDSR requirements, all regulatory departments and agencies are expected to show that the recommended option maximizes the net economic, environmental, and social benefits to Canadians, business, and government over time more than any other type of regulatory or non regulatory action. Instrument choice is thus essential to the regulatory process. Departments and agencies are also expected to show how the costs and benefits are distributed across the various affected parties, sectors of the economy, and regions of Canada.

In Canada, a guide on Cost-Benefit was first published in 1995. The 1995 guide was updated in 2007 to reflect the changes in the economy, new regulatory policies, and advances in analytical methods. The 2007 guide is designed to outline in brief the analytical methodologies, empirical techniques, and practical approaches to performing analyses of regulatory policies. Efficiency is not the sole criterion for decision making of a regulatory policy. The stakeholder analysis of who gains or loses as a result of a regulation can be critical to decision making; it is therefore included as part of the overall impact analysis in this guide.

The 2007 guide will assist regulatory officials in employing techniques developed elsewhere to produce consistent high-quality cost-benefit analyses of proposed and existing regulations. It discusses, among other things, treatment of non-monetized benefits, treatment of uncertainty and risk, value of statistical lives, discount rates, etc.

You can find the 2007 Cost-Benefit Analysis Guide at: [www.regulation.gc.ca](http://www.regulation.gc.ca) (under *Guidance and Support*)

## ***Performance Measurement and Evaluation***

The CDSR introduced new requirements for performance measurement and evaluation which give Canadians better access to consistent, high-quality information on the effectiveness of regulatory activities in advancing the public interest. Those requirements took effect on July 1, 2009. Canadian regulatory departments and agencies are now required to regularly assess the results of performance measurement and evaluation of their regulatory programmes, and identify regulatory frameworks in need of renewal.

Before submitting a regulatory proposal, departments and agencies are to conduct an assessment, in collaboration with TBS, based on the Triage Statement, to determine the level of impact (Low, Medium, or High) of the regulatory proposal. A completion of a *Performance Measurement and Evaluation Plan* is only required for High impact regulations.

The *Performance Measurement and Evaluation Plan* provides a concise statement or road map to plan, monitor, evaluate and report on results throughout the regulatory lifecycle. When implemented, it helps a regulator:

- ensure a clear and logical design that ties resources and activities to expected results;
- describe roles and responsibilities for the main players involved in the regulatory proposal;
- make sound judgments on how to improve performance on an ongoing basis;
- demonstrate accountability and benefits to Canadians;
- ensure reliable and timely information is available to decision makers in the regulatory organizations and central agencies, as well as to Canadians; and
- ensure that the information gathered will effectively support an evaluation.

You can find the Performance Measurement and Evaluation Plan Handbook at: [www.regulation.gc.ca](http://www.regulation.gc.ca) (under *Guidance and Support*).