



UNDERSTANDING THE GOVERNMENT DIRECTIVE ON REGULATING

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Why does the federal government regulate?

The Government of Canada is committed to protecting the health and safety of Canadians and safeguarding our natural environment. Regulation is one of the many instruments government uses to achieve policy objectives and improve the quality of life of Canadians.

For example, the Government of Canada regulates to:

- protect and advance public health and safety;
- safeguard the rights and freedoms of Canadians;
- protect and enhance the quality of Canada's natural environment;
- support a fair and competitive market economy that encourages entrepreneurship, trade, investment and innovation by Canadians and businesses;
- promote Canadian culture and national community; and
- meet other objectives that serve the public interest.

What is regulation?

Regulation, in its broadest sense, is a principle, rule or condition that governs the behaviour of citizens and organizations. Governments use regulation in combination with other instruments to achieve public policy objectives. Regulation plays a role in virtually every aspect of our lives, from the products and services we use, to the medication we take and the food we eat.

In Canada, regulating takes place within the context of our parliamentary democracy and the rule of law. Regulations are a form of law – they have binding legal effect and usually set out rules that apply generally, rather than to specific persons or situations.

Regulations are introduced by persons or bodies to whom Parliament has delegated authority in an act, such as the Governor in Council, a Minister or an agency.

Regulation in everyday life

Regulations play an important role in our lives. Every day Canadians and businesses benefit from the implementation of regulations.

In the morning, we may reach for a box of cereal that, by government regulation, discloses the nutritional information of its contents. The bottle of vitamins we open has a childproof safety cap required by government regulation. Before leaving the house, we use toothpaste and other cosmetic and health-care products made by companies that comply with health and safety regulations.

When we start our car, the daytime running lights come on to increase the car's visibility and improve driving safety, thanks to regulation. The car also has to meet federal minimum safety standards and its exhaust is subject to emission standards that safeguard the quality of the air we breathe. On the job, many of us work under occupational health and safety standards, labour standards and collective bargaining agreements that are governed by regulations set under the *Canada Labour Code*.

On our way home, we may stop at the grocery store to pick up a few items for dinner, perhaps some fish or fresh produce, all of which must meet standards for food safety. We pay for our purchase with cash or a debit or credit card obtained from a regulated financial institution.

Lastly, regulations are important for the functioning of a fair and effective marketplace. Regulations determine how businesses enter, exit and compete in the market, the quality and safety of their products, how they manage their waste, and how they import source materials and export products interprovincially and internationally.

What is the regulatory system?

The regulatory system is the process by which the federal government makes and administers regulation. The *Government of Canada Regulatory Policy*, a cornerstone of the federal regulatory system since 1986, is a framework that establishes the steps for regulatory impact analysis and the foundations of regulatory management. The Regulatory Policy spells out both substantive requirements (e.g., benefits must exceed costs) and process requirements (e.g., Canadians must be consulted) for regulating. In effect, the policy has served to define what the federal government considers effective or good regulatory practice.

The requirements in the Regulatory Policy are reflected in the structure and content of the Regulatory Impact Analysis Statement, the main analysis and communication document for Canadians and Ministers.



What is Smart Regulation?

Smart Regulation refers to the Government of Canada's regulatory renewal initiatives to make regulation relevant to the realities of our time. It is aimed at building a regulatory system that is more effective in safeguarding the health and safety of all Canadians, ensuring a clean and sustainable environment, and creating the conditions for an innovative and competitive economy. In meeting these goals, Smart Regulation recognizes the interdependence of social, environmental, and economic objectives. Smart Regulation involves a series of projects that strengthen the policies, processes, tools and communities needed to sustain high levels of regulatory performance and facilitate continuous improvement.

What is the *Government Directive on Regulating?*

The *Government Directive on Regulating* attempts to strengthen the current federal regulatory system. The purpose of the *Directive* is to:

- Communicate to Canadians the federal government's commitment to protect health and safety and provide supportive conditions for an innovative economy
- Ensure Canadians have information and opportunities to participate in the regulatory process;
- Communicate to government officials their regulatory roles and responsibilities; and
- Ensure that Ministers have the information necessary to make sound decisions.

Once approved by the government, the *Directive* will replace the existing Regulatory Policy. It will apply to all federal departments and agencies responsible for regulating.

What is regulatory impact assessment?

When deciding to regulate, the federal government needs to consider how regulation is designed, implemented, evaluated and reviewed so that it will be effective over time. Its decision should be based on a sound analysis of the issues involved and the impact of the proposed regulations.

Regulatory impact assessment is used to conduct this analysis. It is based on a set of steps that structure the preparation of regulatory proposals, including answering a number of basic analytical questions:

- What is the nature, magnitude and evolution of the public policy issue?
- Is federal government action needed?
- What policy objectives should the government pursue?
- What are the options for reaching these objectives?
- What are the advantages and disadvantages of the main options?
- What are their likely social, environmental and economic impacts?
- What are the best ways to ensure compliance and enforcement?
- How could future evaluation be conducted?

Regulatory impact assessment should allow for an informed discussion in all cases.

Why is the Government of Canada consulting Canadians?

- Consulting Canadians on the *Directive* and on the way regulations are managed is an important element of good governance. The *Directive* is being shaped by the views of citizens, non-governmental organizations, provinces and territories, Aboriginal communities, industry, and other stakeholders. This is the first time the federal government has consulted Canadians on the development of a regulatory policy.
- We are holding public workshops in nine cities across Canada (Halifax, Moncton, Montréal, Toronto, Winnipeg, Saskatoon, Calgary, Yellowknife and Vancouver). Everyone has the opportunity to participate.
- There are other opportunities to get involved. The *Consultation and Engagement Strategy* (available at www.regulation.gc.ca) provides multiple avenues for Canadians to express their views. As part of this strategy, we are also encouraging people to provide us with written submissions on the draft *Directive* by December 23 2005.