

19. A second step toward ensuring that regulations improve economic efficiency would be the following:

- The Cabinet or one of its committees would carefully review the ECBFR with the objective of establishing (a) a limit on the total costs to society⁷ (in present value, annualized or other terms), and (b) indicating which proposals it recommends to Parliament. This might be called the “cost of proposed regulations” (CPR) budget.
- The CPR budget would be submitted to the House of Commons Standing Committee on Finance after being tabled with the *Estimates*. The Committee would hold hearings on the set of proposed major regulations and the limit. The Committee would prepare a report with its recommendations.
- Before the Committee’s report was considered by the House of Commons, the Minister responsible for Regulatory Affairs (now the President of the Treasury Board) would consult with his or her colleagues concerning possible revisions to the CPR budget.
- The House of Commons would be asked to vote on the CPR budget submitted by the Minister responsible after receiving the report of the Standing Committee on Finance.
- No department or agency could submit any major proposed regulation to the SCC which had not been included in the approved CPR budget.⁸
- The Auditor General would later audit the estimated costs of the major regulations as enacted and report to the House discrepancies between the CPR budget and actual costs. If this proposal were adopted, Canada would go a long way towards controlling the total costs of regulations and allocate such costs more efficiently.

The Committee recommends the following procedure for counting the costs of regulations:

4.5 The President of the Treasury Board should be required to compile the “Estimated Costs and Benefits of Federal Regulations” (ECBFR) annually, to be tabled in the House of Commons with the *Estimates*. (This would require that departments and agencies submit to the Regulatory Affairs Directorate the following information: (a) the estimated costs and benefits of every proposed major regulation expected to be made in the next fiscal year (or the following two years); (b) the number of “intermediate” proposed regulations for the next fiscal year; and (c) for major proposed regulations, the estimated costs and benefits should be categorized by government administrative costs and by private sector compliance costs, broken down by major industry sector.

20. The ECBFR would include an updated and expanded version of the information published in the annual *Federal Regulatory Plan*. This would give the costs and benefits of each major proposed regulation a context. It might even be possible for some proposed regulations to include a summary of the problem definition and a summary of the options to regulation being considered.

⁷ Litan and Nordhaus (1983, p. 150) state that “Conceptually, the definition of regulatory cost is straightforward: it is the marginal cost to the economy of meeting a regulation. In some cases, such costs are easy to define: if a utility is forced to add a scrubber to an existing plant, the costs can be estimated with minimal difficulty. In a dynamic framework, however, the picture becomes more blurred. It may be difficult to anticipate changes in technology and, therefore, changes in costs over time.” However, “Another methodological issue concerns whether the budget should cover transfer payments in addition to resource costs and/or dead weight losses. . . . Yet a third definitional issue is whether the costs measured in the budget would be limited only to “direct” costs or would also include “indirect” costs” (p. 151).

⁸ Litan and Nordhaus (1983, pp. 149-150) noted that “The problems of designing effective sanctions for noncompliance stems primarily from the funny money nature of private mandated expenditures, which are purely accounting dollars and never show up in the agency’s (or anyone’s) bank balance. For this reason, there is no precise way of measuring costs and keeping an automatic control on the agency’s running out of regulatory appropriations.”