

80. Notwithstanding its defects, Porter's theory does yield some common-sense conclusions regarding the form regulation should take if it is to have a chance of increasing competitiveness. As suggested earlier, quality, safety, and environmental standards should be results-oriented. Technologies should not be specified. More generally, if national regulatory standards do not lead, at least they should not be anachronistic (that is, command and control, based on outdated technologies). Standards should be rapidly, efficiently, and consistently applied. Slow or uncertain application retards innovation. At least in some areas, the Canadian regulatory process is already slow by international standards. Reconciling the need for rapid application of standards with the now almost obligatory requirement for "stakeholder consultation" is going to pose some serious problems in the future.

J. CONCLUSIONS AND RECOMMENDATIONS

81. It is best to define national competitiveness in terms of productivity levels and growth rates. Regulation can either increase or reduce competitiveness.

82. The productivity effects of health, safety, quality, and environmental regulation have been mixed with some regulations yielding benefits well in excess of their costs and others yielding virtually no benefits. The record is uneven, with some clear examples of excessive regulation and poorly designed regulatory mechanisms. There are also cases in which social regulation serves mainly to reduce competition. The resulting drag on the aggregate productivity of national economies may have been relatively small in the past, but as environmental regulation becomes more extensive, the productivity burden of excessive and poorly designed regulation is likely to increase substantially.

83. The incidence of excessive regulation can be reduced by making greater use of cost-benefit analysis in the evaluation of proposed regulations. Benefit-cost analysis is not a panacea, but it can help to discipline the regulatory process by forcing the proponents of regulation to recognize the magnitude and incidence of compliance costs, and to be more precise regarding the nature and magnitude of the benefits they anticipate.

The Committee therefore recommends that:

3.1 All the costs and benefits should be estimated for major proposed regulations.

84. The evidence suggests that there is considerable scope for improving the design of regulatory systems by reducing reliance on command and control techniques. This involves the specification of performance goals or objectives, leaving the parties involved free to find the least costly way of achieving these objectives.

The Committee therefore recommends that:

3.2 Where feasible, regulations should be expressed as functional outcome or performance objectives rather than detailed specification of the means of compliance.

85. While it is not always the case, economic regulation is increasingly regarded as suppressing competition and reducing productivity. Given the scale on which it has been applied in the past, it may have had a relatively large effect on productivity levels and growth rates in some countries. The gains from the elimination of price- and entry-regulation are only beginning to be measured but they appear to have been significant in some sectors in some countries.