

In the red

How bureaucratic interference is stifling small business – and what's being done to fix it

By Quentin Casey



The case study

Shane Steeves launched his microbrewery in February.

The Hammond River Brewing Co. is, at this point, in its infancy. The brewery is based in Steeves' Quispamsis, N.B. home and produces batches of just 140 litres of beer.

But Steeves envisions an expansion, including into a commercial space.

The question is: will Steeves find his expansion plans entangled by New Brunswick's new microbrew policy?

The new rule requires some breweries to sell a minimum amount of beer at provincially-run liquor stores (10,000 litres) before they can sell beer at their own location for off-site consumption.

"It's like if you wanted to open up a small donut shop, but you had to first sell 10,000 donuts through Superstore before you could sell out of your own bakery," Steeves explains in an interview. "It just doesn't make sense."

The policy does not impact Steeves. Yet.

He only sells his brew in kegs to restaurants and bars in southern New Brunswick. Eventually, though, he'd like to expand into direct consumer sales. At that point he would come up against the province's policy.

"I don't think they realize how much this affects small guys like myself," says Steeves, who works in the IT field but wants to brew full-time. "I don't have enough brew days in the run of a week to produce that kind of volume."

Steeves argues the craft brewing scene is a great tourism booster. But fledgling brewers could be snuffed out because of the province's policy. (He was planning to attend a meeting in mid-August between craft brewers and Brian Harriman, the president of N.B. Liquor. "We are meeting with a representative group of craft brewers over the coming weeks to discuss how we can improve the policy and to see where we can make the policy more user-friendly for the brewers," Harriman previously said in a statement.)

For his part, Steeves hopes the rule will be, at the very least, "tweaked".

"I think the rules should be dropped," he adds. "For lack of a better word, they are ridiculous."



The problem

According to the Canadian Federation of Independent Business (CFIB), this country's business owners are consistently hampered by "excessive" government regulations and red tape, ranging from tax rules to the paperwork required for renovations.

CFIB, which represents more than 109,000 small business owners, estimates that Canadian businesses spend more than \$30 billion a year to comply with regulations across all levels of government.

"Excessive regulations are consistently ranked as one of the top priority issues for CFIB members," the organization notes. "Accordingly, one-quarter of CFIB members say that if they had known the burden of regulation, they may not have gone into business in the first place. Considering small and medium-sized businesses represent about half of Canada's total private sector workforce and GDP, the impact of red tape on our economy and standard of living is significant."



The most burdensome regulations

What regulations do businesses most struggle with? A 2009 survey of CFIB members provides some insight.

On the provincial regulation side, CFIB members highlighted the following irritants:

- Workers' compensation and occupational health and safety regulations (cited by 65 per cent of respondents)
- PST/HST (56 per cent of respondents)
- Employment standards (41 per cent)
- Business registration and reporting requirements (32 per cent)
- Financial (insurance, securities, banking) (28 per cent)

In terms of municipal red tape concerns, CFIB members pointed to the following irritants:

- Property taxes (55 per cent of respondents)
- Building and renovation permits (37 per cent)
- Property assessments (31 per cent)
- Business licensing (23 per cent)
- Garbage and recycling (23 per cent)





What's being done to trim red tape in Atlantic Canada?

Each year, CFIB releases its Red Tape Report Card, which highlights the effort (or lack of it) displayed by the provinces in reducing red tape bureaucracy and unnecessary regulations. The 2014 grades in Atlantic Canada spanned from B to D-plus.

Prince Edward Island was the worst performer, earning the D-plus grade (up from a D-minus in 2013). The report card noted P.E.I. has no measurement system for red tape, nor does it have dedicated legislation for reducing it. "If you can't measure it, you can't manage it," says Jordi Morgan, CFIB's Atlantic Canada vice-president. "And if you're not measuring it, there's no accountability."

The CFIB report card did note, however, that P.E.I. recently announced a coordinated government-wide initiative aimed at improving customer service and reducing duplication. "This is a significant promise and once implemented should improve P.E.I.'s grade," the report card authors concluded.

Nova Scotia earned a C-minus (up from a D) in the 2014 report card. Like P.E.I., Nova Scotia lacks both a process for measuring red tape and committed legislation. "Newly elected Premier Stephen McNeil has acknowledged that his government must reduce red tape and once again report publicly on its progress," the report card noted optimistically. "There has been no public reporting since 2010."

Newfoundland and Labrador received a C-plus (down from a B) for its approach to red tape. CFIB notes the province has made some efforts at improvement, but with limited success. "The structural changes have not yet had any noticeable impact on regulatory reform. Additional reporting requirements have been instituted as part of government processes. For instance, departments and agencies are now required to adopt red tape initiatives under Regulatory Impact Plans. Unfortunately, much of this work has not been made public, making it very difficult to assess."

The top Atlantic performer in the 2014 Red Tape Report Card was New Brunswick – the only Atlantic province that tracks its vast suite of regulations. According to CFIB, New Brunswick reported 52,970 regulatory obligations in its 2012 Throne Speech. The current government has committed to reduce regulation by 20 per cent over its mandate. That goal is reportedly on target. "New Brunswick is actually doing a lot of good things on this," Morgan concludes. "We're going to probably give them an A this year."*

Feedback: dchafe@atlanticbusinessmagazine.com; @AtlanticBus; @ABM_Editor; #RedTapeReduction

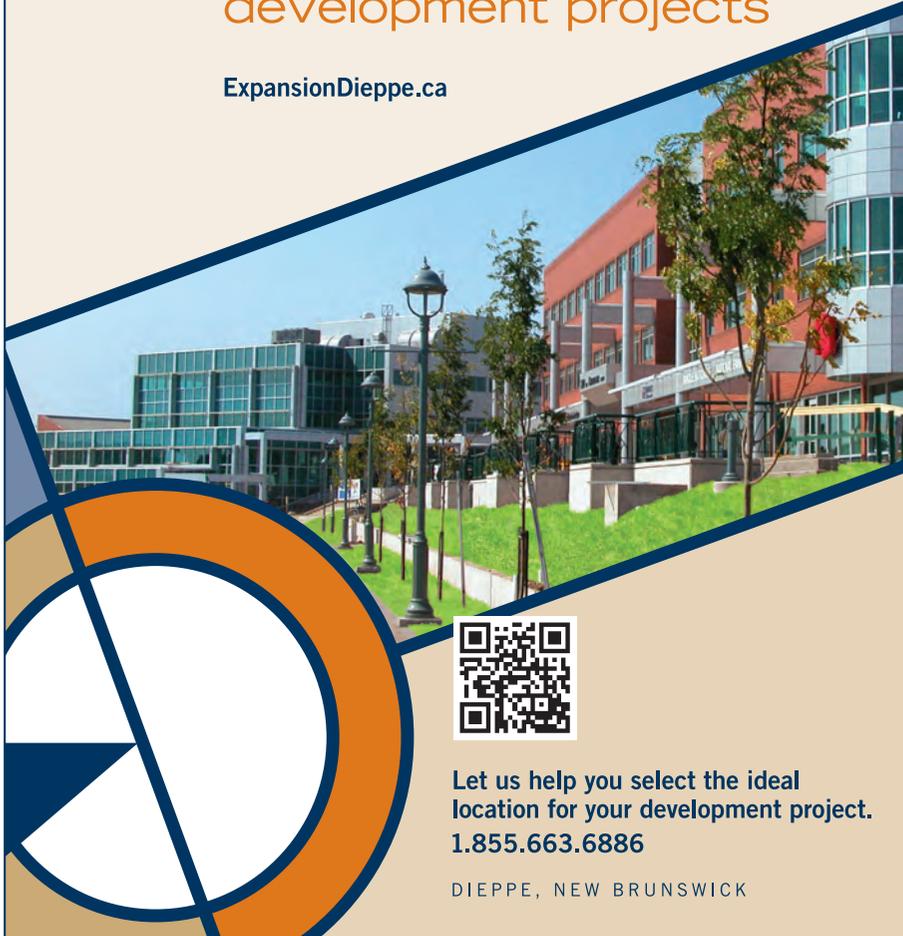


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