



**BUSINESS COUNCIL  
OF ALBERTA**



# **FROM BARRIERS TO BREAKTHROUGHS**



**Addressing Today's Regulatory  
Barriers to Investment**



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## About the Business Council of Alberta

The Business Council of Alberta is a non-partisan, for-purpose organization dedicated to building a better Alberta within a more dynamic Canada. Composed of the chief executives and leading entrepreneurs of the province's largest enterprises, Council members are proud to represent the majority of Alberta's private sector investment, job creation, exports, and research and development. The Council is committed to working with leaders and stakeholders across Alberta and Canada in proposing bold and innovative public policy solutions and initiatives that will make life better for Albertans.

*This document reflects the views of the Business Council of Alberta based on our own research and on engagement with members and stakeholders. Alberta is a diverse place. In many cases, there are a range of views on an issue within the Council membership. This piece may not necessarily reflect the perspective of all BCA member companies and should not be read as the position of any one member.*

# Thank You.

The Business Council of Alberta (BCA) would like to thank the members of the Working Group who contributed their time, expertise, and hard work to the development of this report. Without their efforts and creativity this report would not have been possible.

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# INTRODUCTION

Canada’s investment challenge is not a lack of resources, skills, or entrepreneurial ambition. It is that too many regulatory barriers make it difficult to put capital to work.

Businesses make investment decisions based on risk, cost, and expected return. When regulatory requirements are unclear, unpredictable, or burdensome, risks and costs rise, weakening the case for investment.

Some regulations deter investment on their own. But more fundamentally, the regulatory system itself has become a barrier, as businesses must navigate a large and growing number of complex and overlapping requirements. The cumulative effect — described by businesses as “[death by 130,000 cuts](#)” — has become a meaningful drag on Canadian investment and prosperity.

These issues cannot be solved one at a time. Systemic reform is required. However, reform takes time and the need to act is urgent. That’s why this paper examines some of the more significant regulatory barriers that businesses and other organizations consistently identify as constraining investment.

The regulations examined in this report fall into the following broad categories:

- > [Regulations that Limit Oil and Gas Investment](#)
- > [Financial Regulations that Discourage Productive Investment](#)
- > [Regulatory Barriers to Innovation](#)
- > [Construction-related Regulations that Reduce Productivity and Raise Costs](#)
- > [Regulations that Inhibit Efficient Trade and Transportation of Goods](#)
- > [Other Regulations that Add Costs and Compliance Burdens](#)

Tackling these high-impact barriers is a necessary first step to restoring investor confidence and laying the groundwork for a regulatory system that supports growth and long-term prosperity. Decisive, immediate action will help build momentum while more comprehensive reforms take hold.



## ABOUT THE FROM BARRIERS TO BREAKTHROUGHS PROJECT

The Business Council of Alberta's (BCA) *From Barriers to Breakthroughs* project examines how federal regulations contribute to Canada's poor record on business investment and what changes are needed to reinvigorate that investment, improve our international competitiveness, and create lasting prosperity for all Canadians.

The focus is on systemic reform. Two papers in this series examine how to improve Canada's system of major project reviews and permitting by addressing issues such as political uncertainty, lengthy timelines, jurisdictional overlap, and the ever-expanding

scope of impact assessments and stakeholder consultations. The third paper proposes system-wide reform to how regulations in Canada are developed, implemented and reviewed.

Finally, to help build momentum towards systemic reform, this present report identifies a number of present-day issues that illustrate the challenges businesses face. Taking immediate action in these areas will get the ball rolling while broader structural reform takes hold.



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# REGULATIONS THAT LIMIT OIL AND GAS INVESTMENT

Canada's oil and gas industry is a key driver of economic growth. It creates or supports hundreds of thousands of high-paying jobs and generates billions of dollars in government revenues.

With some of the largest oil and gas reserves in the world, Canada has the potential to expand on these benefits, driving investment and improving Canadians' standard of living.

However, this potential can only be realized if the industry is able to operate effectively. Its ability to do so is undermined by a series of regulations that limit opportunity and lower investor confidence in Canada's ability to reliably produce, transport, and export these resources.

For Canada to attract investment and make the most of its oil and gas resources, it will have to address some of the most burdensome regulations affecting the industry. Many of these issues relate to major project approvals and permitting, which are addressed in two other papers within this *From Barriers to Breakthroughs* series. However, several other federal regulations and policies limit energy sector investment as well. Addressing them will help Canada realize its potential and be globally competitive.

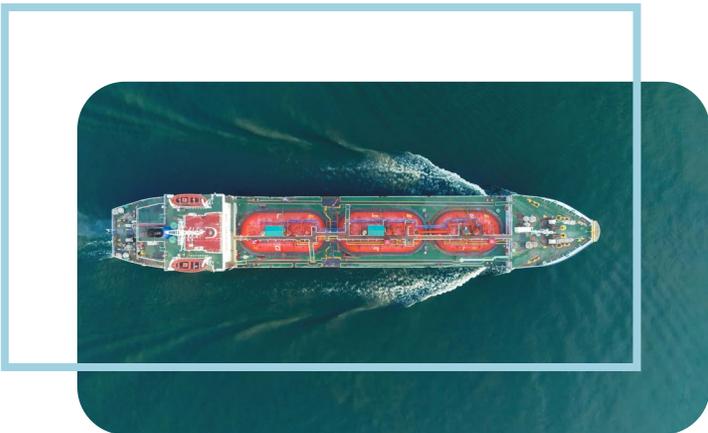
## WEST COAST OIL TANKER BAN

The *Oil Tanker Moratorium Act*, in force since 2019, is a significant constraint on Canada's ambition to become an energy superpower. The law prohibits tankers carrying more than 12,500 tonnes of crude oil from stopping, loading, or unloading along the northern coast of British Columbia — from the northern tip of Vancouver Island to the Alaska border, including northern ports like Prince Rupert and Kitimat.

The limit is effectively a ban. It is simply uneconomic to ship meaningful volumes of oil in tankers that small. By comparison, [typical oil tankers](#) can carry [10 to 20 times](#) that amount — volumes that these northern ports are capable of handling.

The ban results in reduced investment and abandoned projects. Notably, the First Nations-owned [Eagle Spirit Pipeline](#) project was cancelled specifically because of the tanker ban. The ban not only reduces investment and economic growth, it also limits opportunities for Indigenous-led economic participation and reconciliation and constrains Canada's ability to increase crude oil exports to non-U.S. markets.

This effective ban is ostensibly intended to prevent catastrophic oil spills in ecologically sensitive areas. However, sensible regulations that are already in place, along with technological advancements such as double-hulled tankers, improved seabed mapping, and navigation and positioning systems, have greatly reduced this risk.



There has been a [95%](#) reduction in global oil spills since the 1970s even though global shipping volumes have increased by [50%](#). For its part, Canada has not seen a large-volume tanker spill in more than 25 years. The [tiny fraction](#) of oil spilled since 2000 has come from tugboats, naval vessels, and historic shipwrecks.

A recent [Memorandum of Understanding \(MOU\)](#) signed by Canada and Alberta creates some space for a potential carveout from the tanker ban if an oil pipeline to the northwest coast gets built. While many details still need to be ironed out before this carveout becomes a reality, the MOU is a step in the right direction.

But if Canada is serious about becoming an energy superpower, it needs competitive policies that attract investment and enable our resources to reach global markets. Provinces should not be forced to negotiate carveouts from unnecessary restrictions that inhibit access to global markets. As such, the moratorium should be unilaterally repealed.

**Recommendation:**

>> [Repeal the Oil Tanker Moratorium Act.](#)



## OIL AND GAS EMISSIONS CAP

In December 2023, the federal government announced plans to cap oil and gas sector emissions to help Canada reach net-zero by 2050. Reducing net emissions is important, but targeting a single sector while ignoring others is misguided and discriminatory.

There are limits to what existing abatement technology can achieve economically. As a result, production cuts could be the most practical way to comply with the cap. The problem is that reducing Canadian output does not necessarily reduce global emissions. Lower Canadian production would simply be replaced by higher production in another country.

The result would be a significant economic loss to Canada with little to no environmental benefit. In fact, it could lead to worse environmental outcomes if it triggered a production increase in a country with lower environmental standards.



Beyond the direct impact on production, the proposed cap also has a chilling effect on business investment. Despite growing demand for oil and gas, businesses are less likely to expand operations given the risk of output constraints, and investment is more likely to move to regions with less obstructive regulations.

This is harmful to businesses, productivity, and tax revenue, and works against Canada's goal of becoming an energy superpower.

Recent developments suggest the emissions cap is seen as unnecessary. In Budget 2025, the federal government gave an update, saying that Canada will ideally be able to lower emissions via other regulations and through carbon capture and storage, thereby making the cap redundant.

The recent Canada-Alberta [MOU](#) provided more clarity, suggesting that Canada will not be implementing the emissions cap “in consideration for the mutual commitments agreed to in [the] MOU”. In other words, the cap could be unnecessary alongside other regulations and investments.

However, uncertainty remains as the federal government could continue to use the threat of implementation to advance other climate-related commitments.

The mere threat of a possible emissions cap creates risk and deters business investment. Given the economic cost to Canada and the lack of environmental benefits globally, the federal government should explicitly abandon the emissions cap proposal immediately, leaving other regulations and policies to drive emissions reduction.

### Recommendation:

- >> Formally rescind the proposed oil and gas emissions cap regardless of the Canada-Alberta MOU.

## CLEAN ELECTRICITY REGULATIONS

In December 2024, the federal government finalized its Clean Electricity Regulations (CER). Starting in 2035, it imposes strict emissions limits on electricity generation to help reach Canada's goal of net-zero emissions by 2050. Reducing emissions is important — and the industry has already made remarkable progress. Today, over [80%](#) of Canada's electricity comes from non-emitting sources, and Alberta alone has cut its electricity emissions by [60%](#) since 2005, in large part by shutting down all coal-fired generation years ahead of schedule.

The problem with the CER is its prescriptive one-size-fits-all approach to electricity generation. It does not consider or reflect the different resource endowments or geographies that exist across Canada. Provinces like Alberta, Saskatchewan, and Nova Scotia do not have the latent hydroelectric potential that exists in Quebec, B.C., or Manitoba.

In Alberta, natural gas is essential to providing affordable, reliable baseload and dispatchable power — critical not only for heating homes but also for powering industry. Natural gas facilities are also quicker to build than other baseload technologies such as coal, nuclear, or hydro, making them more responsive to the large or sudden increases in demand that could come from new, energy-intensive investments. This is a competitive advantage for attracting those investments.

By imposing restrictions on emitting sources of electricity generation in places with limited near-term alternatives, the CER discriminatorily affects investment, as well as the affordability and reliability of electricity in those provinces. Businesses in sectors like petrochemical manufacturing and artificial intelligence (AI) data centres look for regions with scalable, cost-competitive, and reliable power. If electricity becomes more expensive and less dependable, investors will turn their attention elsewhere.

The federal government's recent [MOU](#) with Alberta seems to recognize this reality. One objective of the agreement is to increase electricity generation for AI data centres, which will require new natural gas generation. Canada has committed to immediately suspend the CER in Alberta and make the suspension permanent if the two governments can come to an agreement on industrial carbon pricing along with a range of other conditions by April. This carveout could also set a precedent for other provinces to ask for similar exemptions.

While this is a good step, it does not eliminate uncertainty. If a carbon pricing agreement and those other conditions are not met, the CER will impose rules that are heavy-handed, regionally discriminatory, and potentially unconstitutional.

### Recommendation:

>> [Repeal the CER.](#)



## METHANE EMISSIONS REGULATIONS

Since 2018, reducing methane emissions in the oil and gas sector has been a key component of Canada’s climate policy. Existing federal regulations aim to cut these emissions by [40-45%](#) below 2012 levels by 2025.

In December 2025, the federal government released Enhanced Methane Regulations that expand the coverage and stringency of previous regulations and introduce a new target of [72%](#) reduction below 2012 levels by 2030.

A key concern for businesses is the prescriptive nature of the new regulations. They specify both the approaches and technologies companies must adopt to achieve emissions reduction targets. This approach is ostensibly intended to reduce the cost and complexity of monitoring and reporting for businesses — a known technology will have a more predictable impact on emissions and therefore require less rigorous verification measures.

The problem is that these mandated mitigation measures are expensive and may not represent the lowest-cost option for meeting the emissions reduction target. According to the Canadian Association of Petroleum Producers, these amendments place a compliance cost of [\\$14.6 billion](#) on the industry to implement. Not only could this erode Canada’s investment competitiveness, it could also create a scenario where it would be cheaper to comply with the regulation by cutting production rather than investing in prescribed technologies.

In response to those concerns, the updated regulations provide some flexibility to oil and gas operators by offering them a choice between two compliance pathways — one being less prescriptive than the other. If operators choose the less prescriptive option, they can design their own approach to emissions reduction, but their methane intensity levels must be on par with “[standards from leading international voluntary certification programs](#)”. However, it is unclear what this means because no programs are listed. The choice then becomes prescriptive regulations or vague standards.



Compounding those challenges, oil-producing provinces such as Alberta, BC, and Saskatchewan already have their own methane regulations in place through equivalency agreements with Ottawa. These existing measures have already delivered meaningful reductions, with the [most recent reporting](#) showing Canada on track to achieve the previous **40-45%** reduction target, even while production has grown.

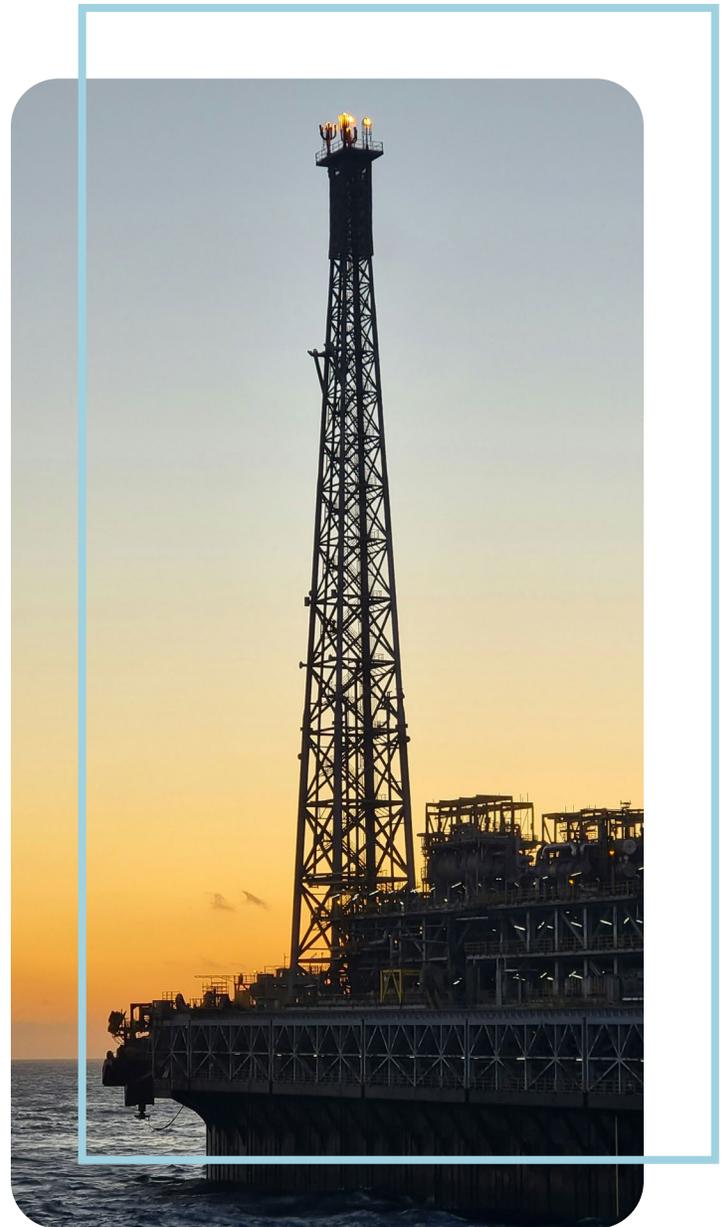
The Canada-Alberta [MOU](#) signed in November 2025 will likely extend the compliance timeframe for the province by five years. A new equivalency agreement is expected to be signed by April 1, 2026, with a target of 75% reduction below 2014 levels by 2035.

The combination of tightening regulations and federal-provincial overlap adds unnecessary cost and uncertainty to prospective investors and current producers. Businesses making multi-billion-dollar investment decisions need stable, predictable, and reasonable regulations. Continually altering the rules to increase costs and regulatory requirements erodes confidence, delays projects, and drives capital to more predictable jurisdictions.

Rather than adding new methane regulation costs and constraints, the federal government should coordinate with the provinces to implement their own regulations on methane. Provided emissions targets are consistent, doing so would start to restore confidence and stability.

## Recommendation:

- >> **Prioritize provincial equivalency agreements for methane regulations.** Coordinate with provinces on measurement, monitoring, incentives, technology standards, and achievable reduction targets.
  - > Permit federally-regulated energy infrastructure to comply with either federal or equivalent provincial methane requirements.



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# FINANCIAL REGULATIONS THAT DISCOURAGE PRODUCTIVE INVESTMENT

Regulations are of vital importance to maintaining the integrity and stability of the financial system in Canada. But at the same time, access to financing is critical for business investment. Regulations should not unnecessarily impede regular, productive business investment and operations.

Some of Canada's financial regulations do just that.

Rules intended to mitigate financial risk in one area have created it in another. Some businesses already struggle to access financing, and certain regulations can inadvertently make that access more difficult. Limited access to financing weakens businesses' ability to direct resources towards improvements and investments that drive productivity growth.

By making improvements to the following obstructive financial regulations, Canada would better position itself as an attractive investment destination.

## CAPITAL HOLDING REQUIREMENTS

To manage the difference in risk between residential loans and business loans, Canadian banks are required to set aside more capital when they lend to businesses. This capital acts as a buffer, giving banks a bigger margin to withstand potential defaults.

These rules were introduced in response to the 2008 financial crisis, when many banks around the world held too little capital while issuing high-risk loans and ultimately required substantial government support to stay afloat. By requiring banks to hold more of their own money, Canada has aligned its capital holding requirements with international standards known as the Basel reforms. These requirements have been phased in through incremental increases in capital holding requirements since the early 2010s.

These rules were implemented to maintain confidence in the financial system and mitigate the effects of future financial shocks. These are necessary goals, and regulation of the financial system is required, but it's important to balance risk mitigation with the need to support productive investment.



The trade-off of more stringent capital requirements is that business loans become more expensive. Lending to households for mortgages is safer — it requires less money up-front, there's the collateral of the house itself, and higher-risk loans are insured by the Canada Mortgage and Housing Corporation. By contrast, business loans require more money up-front and are naturally higher risk.

This creates a distortion in the economy. Residential lending — mortgages on existing homes — is not “productive”. It does not add new value to the Canadian economy, nor does it actually build homes; that would require a business loan. The current model rewards the former over the latter.

The result is that businesses end up “credit-starved”. They're less able to get the financing they need for machinery, equipment, innovation, or expansion, even if their business model is sound. Small and medium-sized enterprises (SME) are hit especially hard, since they're naturally considered higher-risk than larger, more-established companies.

Moreover, these rules around capital holding requirements apply to all federally-regulated banks in Canada, regardless of their size. This is despite the fact that the Basel standards were intended only to apply to banks large enough to destabilize the global financial system. This explains why the United States, United Kingdom, Switzerland, and Germany allow smaller banks to have [lower capital holding requirements](#).

These regulations also have implications for Canada's competitiveness. That concern became evident in July 2024 when Canada [delayed](#) the implementation of the next step of the phase-in for a year to “consider the implementation timeline” of the Basel reforms in other countries who have not implemented the rules. It was then delayed indefinitely in [February 2025](#), while also giving affected banks two years' notice ahead of future Basel-related changes, amid the tariff threat from the U.S.

These financial rules designed to reduce the risk of bank failures can inadvertently slow economic growth by discouraging productive investment. The result is a banking system that is overly reliant on real estate, and a private sector that is too credit-strapped to innovate, diversify, and expand to its full potential.

### Recommendations:

- >> **Introduce lower capital requirements for smaller federally-regulated banks, such as those with less than \$100 billion in assets.** Align Canadian practice with peer jurisdictions that apply formal differentiated Basel III requirements, such as Switzerland, the U.S., the U.K., and Germany.
- >> **Continue to defer the next stage of the Basel capital floor requirements.** Maintain alignment with international peers to ensure Canadian institutions remain competitive.



## EXCESSIVE INTEREST AND FINANCING EXPENSES LIMITATION RULES

When businesses borrow money, they are able to deduct the interest and financing costs they pay from their taxable income.

The Excessive Interest and Financing Expenses Limitation (EIFEL) rules curb how much interest and financing costs businesses can deduct from their taxes. The goal of these rules is simple: to combat “[base erosion and profit shifting](#)” in which businesses move their money around to avoid heavier taxes. With EIFEL, Canada brings itself in line with the OECD standard.

But the rules don’t just capture aggressive tax avoidance schemes; they also affect ordinary businesses trying to make rational financial decisions. And this hits some sectors harder than others. Capital-intensive sectors like construction, infrastructure, and energy are particularly impacted as they rely heavily on debt to fund projects.

In practice, this means that some businesses get taxed far more than they should. That’s not to say that EIFEL is a tax, but rather that EIFEL limits tax savings. As a result, businesses end up paying taxes on income used to pay interest on their loans. It also adds complexity on top of an already complex tax reporting system.

The result is reduced investment and fewer projects moving forward, limiting the infrastructure, energy capacity, and housing supply that Canadians increasingly rely on. Rules designed to prevent multinationals’ tax avoidance can inadvertently weaken competitiveness and constrain investment at home.

### Recommendation:

- >> [Increase the EIFEL de minimis threshold from <\\$1 million to \\$3-4 million in net interest and financing expenses](#), bringing Canada into alignment with [peer countries](#) such as Germany, France, and the U.K.



## ANTI-MONEY LAUNDERING REGULATIONS

In Canada, anti-money laundering (AML) regulations are intended to prevent crime and protect the integrity of the financial system. Banks and other financial institutions dedicate significant resources to complying with these rules aimed at preventing illicit money from entering the market. Regulation in this area is undeniably important — but the way it is currently structured puts a large administrative burden on businesses without a proportionate benefit.

At its core, the problem is that Canada's AML regulations have become process-heavy with limited emphasis on actual outcomes. Reporting entities — banks, insurers, brokers, accountants — have to submit extensive paperwork to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC); far more than comparable setups in the U.S. or U.K. Because reporting requirements are so high, the number of cases FINTRAC sends to law enforcement is [disproportionately low](#). In other words, Canadian financial institutions over-report, erring on the side of caution to comply with AML regulations.

This creates a trade-off. Financial institutions must devote time and money that could otherwise support lending, expansion, or innovation to paperwork. These costs ultimately raise borrowing costs for businesses and reduce the pool of capital available.

Canada's approach to this issue — which shares some similarities with other developed economies — requires financial institutions to design and implement their own anti-money laundering programs. Regulators then assess those programs for effectiveness.

However, one difference between Canada and many other countries is that the Canadian AML framework focuses on suspicious transactions, while others focus on suspicious activity. This is an important distinction. The former approach is narrowly focused, analyzing and reporting on individual transactions, while the latter takes a broader perspective, examining patterns of behaviour.

This doesn't mean that the suspicious activity approach is laxer. Activity-based reporting can be more effective than focusing on individual transactions that by themselves may seem benign but are part of suspicious activity when viewed in aggregate. Moreover, transactional-level reporting is administratively onerous for financial institutions, and it increases the amount of "noise" in reports as many transactions initially flagged as suspicious turn out not to be. All this creates "[high volume, low value](#)" reporting.

Recent federal proposals would only amplify this burden by raising both the cost of non-compliance and the level of compliance scrutiny. Bill C-2, the *Strong Borders Act*, aims to disrupt criminal activity by raising maximum administrative monetary [penalties](#) for reporting entities by a factor of 40, and fines by a factor of 10. At the same time, these regulations have expanded the scope of what counts as a "very serious" offence. Under this proposed legislation, financial institutions must ensure their compliance programs are "reasonably designed, risk-based and effective", while regulators have greater discretion to second-guess program design and implementation. On top of that, penalties have increased to [3%](#) of worldwide revenue for firms that are part of global groups. This is a particular concern for financial institutions, as Canadian operations could expose a firm to significant liability in the event of a regulatory misstep. While this penalty exists in other jurisdictions, in Canada it's layered onto an already stringent system.

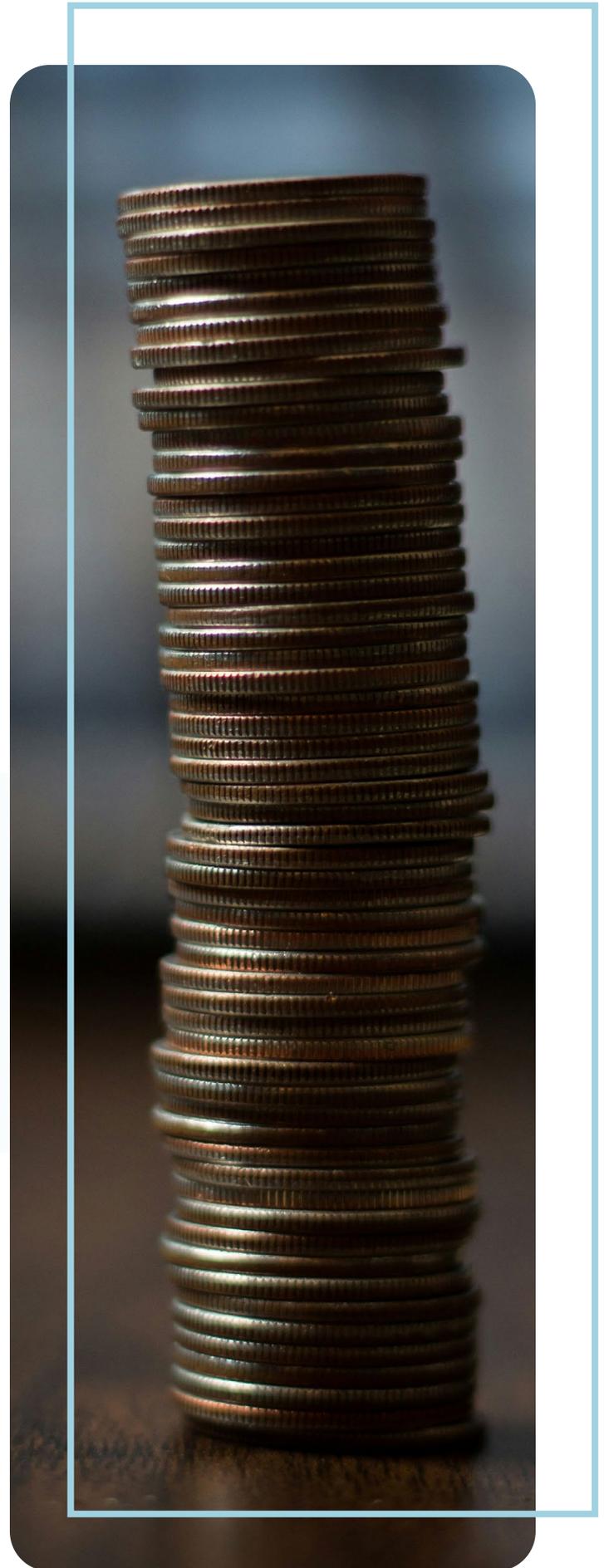
The result is a heightened sense of regulatory risk. Financial institutions face the possibility of regulators retroactively challenging their compliance programs, with high penalties and more paperwork attached. While judicial appeal is available, the heightened risk coupled with uncertainty dampens confidence and a willingness to invest.

Budget 2025 outlines various amendments to Canada's AML system, including strengthening supervision and enforcement, as well as enhancing information sharing among federal agencies. As positive as these changes are, they do not address the more fundamental issue of the regulatory burden imposed by the system itself.

Altogether, by prioritizing process over results, Canada risks overburdening its financial sector, discouraging investment, and making its economy less competitive.

**Recommendation:**

>> **Refocus AML requirements from reporting on suspicious transactions to suspicious activity.** Align Canadian AML practice with international peers such as the U.S., U.K., and Australia to improve effectiveness while reducing unnecessary reporting burden.



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# REGULATORY BARRIERS TO INNOVATION

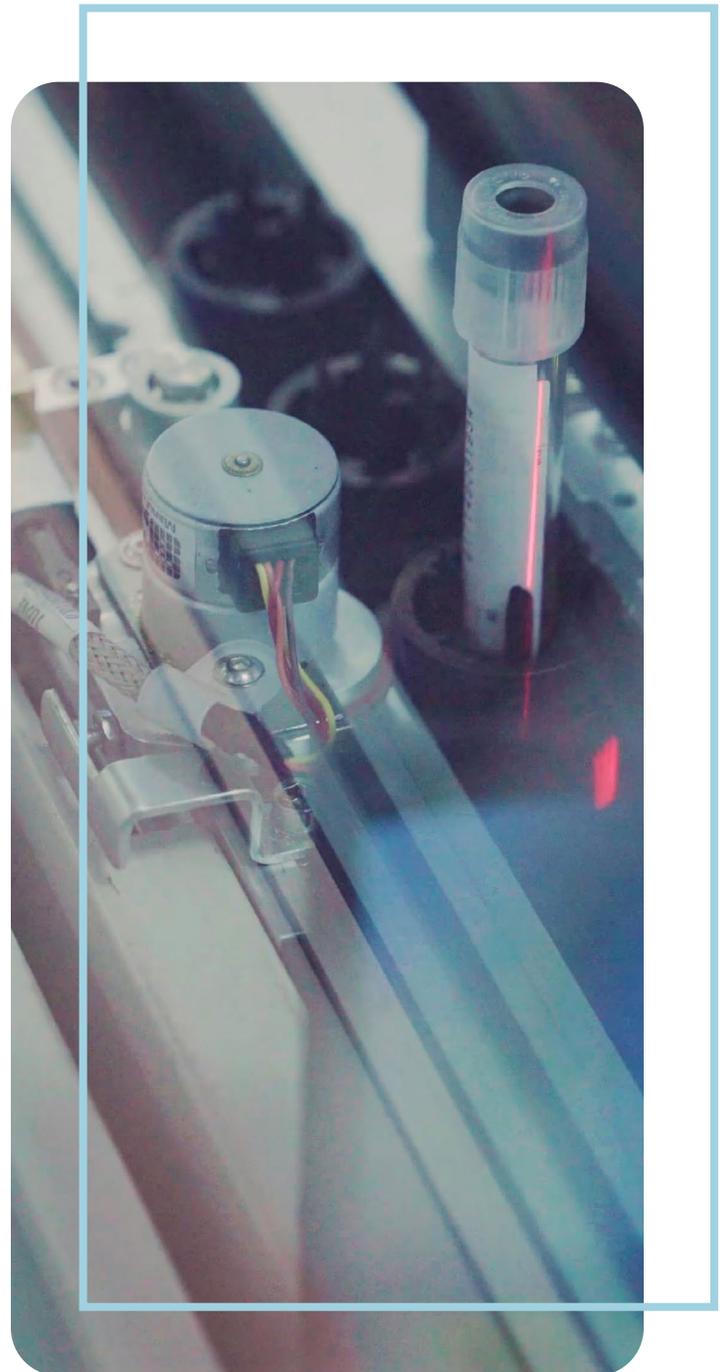
Innovation drives productivity growth and economic competitiveness. However, Canada's regulatory environment has struggled to keep pace with technological change and, in some cases, has made it harder to bring new products and services to market.

The effects are reflected in the country's performance. Spending on research and development as a share of GDP has [decreased](#) since 2000 while it has increased in other countries. Canada also has [far fewer](#) active patents per capita than the OECD average.

A supportive and adaptable regulatory environment is critical to reversing this weakness. Businesses are more likely to invest in new technologies when they have confidence that regulations will support innovation and provide clear pathways to commercialization. When regulatory systems are slow to adapt or overly prescriptive, they can create uncertainty and discourage investment in new products, services, and practices.

On a positive note, the federal government recognizes the need to improve Canada's record in this area. Budget 2025 announced that the government will make enhancements to the Scientific Research and Experimental Development (SR&ED) program, and allow for the creation of regulatory sandboxes that will provide companies with the ability to test new innovations with more freedom from existing regulatory constraints.

These are welcome improvements. But more is needed to inspire investors' confidence. Addressing the following regulatory barriers would help achieve that goal.



## INTELLECTUAL PROPERTY RULES

Canadian businesses, entrepreneurs, and innovators need strong and clear intellectual property (IP) laws to ensure they own and can defend what they create. Canada's current IP laws, however, are complicated and weak.

These issues are particularly significant for smaller companies. Larger businesses can afford teams of IP lawyers to navigate the complexity of the Canadian IP system, but smaller companies cannot. As a result, many small companies choose to [sell](#) their IP to foreign firms rather than navigate the complexity of these laws, contributing to Canada's relatively poor record in commercialization.

Canada lacks a single, unified set of IP laws with clear procedures, penalties, or remedial mechanisms. While there are provincial courts that deal with IP litigation, the landscape is fragmented and complicated. This fragmented approach creates uncertainty about how a case will proceed or be resolved. Combined with a high threshold for what counts as IP theft — requiring “[misuse to the plaintiff's detriment](#)” rather than mere misuse — the system gives businesses little confidence they'll be protected.

These weaknesses have pushed some Canadian companies to defend their IP [abroad](#) instead. Bombardier, for example, took legal action against Mitsubishi in the U.S. despite the IP theft in question occurring in Quebec. Further, 49 of 50 U.S. states have adopted the [Uniform Trade Secrets Act](#), which harmonizes the treatment of trade secrets across different states. Despite a Canadian model being presented in [1987](#) by the Uniform Law Conference of Canada, no province has adopted it.

Moreover, when companies do defend their IP at home, they can be discouraged from litigation because, when IP theft is reported [as a crime](#), control of the case transfers to the Crown. This lack of control, combined with lengthy delays and mandatory disclosure requirements, can expose the business to reputational harm as well as further exposure of sensitive information.

IP protections should decrease barriers to innovation, not create them. Canada's fragmented and unpredictable processes undermine the much-needed confidence necessary for investment and innovation. Clarifying and strengthening Canada's IP rules is vital for supporting a more productive economy.

### Recommendations:

- >> [Direct the Canadian Intellectual Property Office to provide guidance to businesses on IP enforcement.](#) Improve access to remedies, particularly for SMEs, by clarifying pathways to raising legal issues (as is done in the U.S.).
- >> [Coordinate with provinces to advance the adoption of a Canadian Uniform Trade Secrets Act.](#) Create clear, harmonized rules and remedies so businesses can protect intellectual property with confidence across Canada.



## ADAPTING REGULATIONS TO TECHNOLOGICAL CHANGE

Canada's competitive advantage relies on its ability to encourage innovation, not hinder it with long processes and red tape.

But too often, regulations don't keep up with technological innovations. That lag slows the adoption of new technologies and processes, stifles productivity, and sends negative signals to investors about Canada as fertile ground for innovation and growth.

For example, modern technology allows rail companies to collect massive amounts of data on train cars and track conditions using detectors and high-resolution cameras that monitor geohazards, track geometry, and assess equipment performance.

Despite these investments in advanced technologies, federal regulations still require rail companies to conduct manual inspections of train cars and tracks instead of inspections being done by these advanced real-time monitoring technologies. Manual inspections are more costly and less reliable than the more technologically advanced alternatives but are still insisted upon by the federal government.

This makes industry [hesitant to invest](#) in innovation, while the productivity gains of the technology aren't realized. All the extra time spent on redundant manual inspections could instead be spent fixing mechanical rail problems and hauling goods to market more efficiently. Our competitors, such as the U.S., have [implemented](#) five-year [waivers](#), allowing automated track inspection technology to be used alongside manual inspections.

This issue is not unique to the rail sector. Similar challenges appear across other parts of the economy where regulatory processes have not kept pace with technological change. One example is the Pest Management Regulatory Agency (PMRA), which oversees the regulation and approval of pesticides used in the agricultural sector. The agency's approval process has become a significant bottleneck, hindering timely market entry for new products. Compared to a decade ago, the number of new product submissions has halved, yet approval timelines for those products that do enter the system have almost [doubled](#).

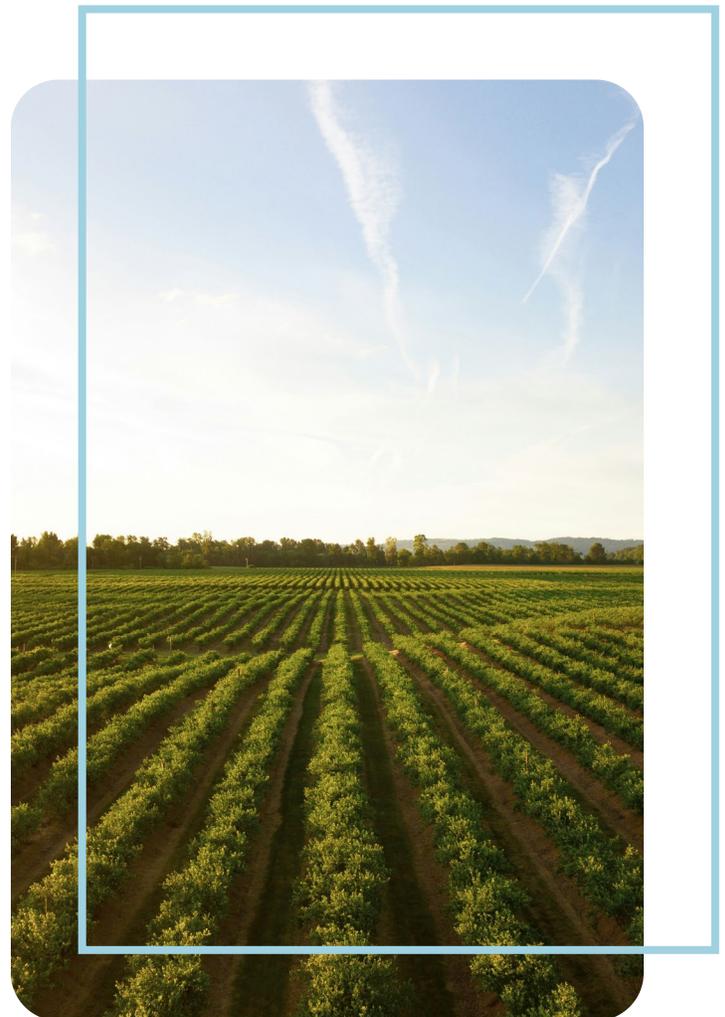
Stakeholders also report limited transparency in the review process. They report being left in the dark about their applications: uncertain of their status in the review process; unclear about the reasons timelines are so long; and unsure of the science behind the regulator's eventual decision. Despite some efforts to address the problems, this “black box” issue has been a point of contention among stakeholders for over a [decade](#).

At the same time, parts of the agricultural regulatory system remain tied to outdated administrative requirements, such as requirements for paper documentation and physical signatures — for example, Health Certificate [endorsements](#) of live animal exports. Even with new online and digital systems available, businesses are often still required to submit forms that must include wet [signatures](#), with digital verification explicitly [not accepted](#).

These are just a few examples of a broader issue that affects many Canadian businesses in a wide range of industries. In a companion paper to this one, *Building a Regulatory System that Supports Investment*, we offer recommendations for how Canada can reform its approach to developing and modernizing regulations to remove bottlenecks, reflect new technologies, and encourage home-grown innovation.

## Recommendations:

- >> [Authorize pilot programs for automated inspections](#). Transport Canada should allow automated inspection technology to replace manual requirements if safety equivalency is demonstrated.
- >> [Require early disclosure of PMRA risk assessments to stakeholders prior to final regulatory decisions](#). Consult stakeholders to enhance transparency and allow discussion of the scientific methodology prior to a final decision.
- >> [Allow electronic signatures for agricultural inspections, such as Health Certificate endorsements of live animal exports](#).



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# CONSTRUCTION-RELATED REGULATIONS THAT REDUCE PRODUCTIVITY AND RAISE COSTS

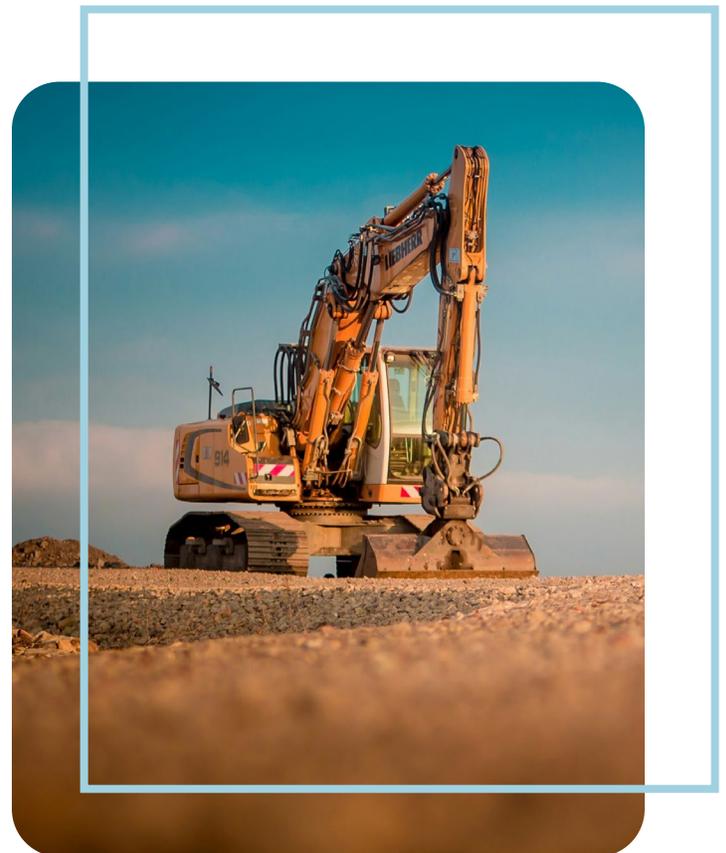
Business investment often takes the form of building new facilities or expanding/modernizing existing ones.

That means construction costs are an important determining factor in investment decisions. If those costs are too high, businesses may choose to either forego those investments or make them somewhere else.

For that reason, an efficient, productive, and cost-effective construction sector is critical for attracting investment in a wide range of industries. But Canadian construction businesses face a range of burdensome federal regulations that add costs, delays, and uncertainty to building. While not solely responsible, regulations and bureaucratic processes have contributed to construction costs rising by over [50%](#) since 2019. These regulations are intended to promote safety, reliability, and environmental standards, but a balance needs to be struck between preserving those important goals and not making it excessively slow and expensive to complete projects.

Many of the regulations affecting construction are within provincial jurisdiction. But this doesn't mean Ottawa has no influence. There are still levers that the federal government can pull to reduce the regulatory burden and make construction more competitive.

[Data](#) suggests that Canada is not alone when it comes to rising construction costs, and that construction sector productivity has been stagnant or declining in much of the developed world. But there's no excuse to drag our feet — in fact, this is an opportunity for Canada to get in front of its peers and strengthen its competitiveness. Addressing the following regulatory impediments would help that happen.



## DIFFERENCES IN BUILDING CODE APPLICATION AND ADMINISTRATIVE PROCESSES

Addressing quality and safety concerns is an important and necessary part of building in Canada — both for the buildings themselves as well as the individuals constructing them. Many federal codes impact Canada’s construction industry, including the *National Building Code*, as well as the *National Fire Code*, the *National Plumbing Code*, and the *National Energy Code for Buildings*.

These are model codes that serve as a minimum standard for provincial adoption. Provinces must abide by federal codes but are able to add additional stringency measures on top of them. Sometimes these additions are necessary. Weather and seismic conditions vary across Canada; and buildings need to be suited for the area they’re in.

The issue is that some provinces, and even municipalities, add additional layers of regulation to national building codes that go far beyond reflecting local environmental and geological realities. For example, [Vancouver](#) has its own building code, which prohibits the use of natural gas heating in new construction, as well as its own [building performance requirements](#) on things like insulation and energy efficiency. [Montreal](#) has introduced new energy efficiency requirements that have driven up costs — so much so that, despite strong demand for residential housing, new construction has actually decreased because many projects are no longer economically feasible. Toronto, along with many [other municipalities](#) of varying sizes, has imposed similar regulations.

The result is a patchwork of fragmented and [inconsistent building codes](#) and construction requirements across Canada. To adapt to local regulations, companies must create bespoke designs rather than standardized ones, source different materials, and apply for separate approvals due to these differences. Many firms even hire third-party verifiers to navigate the inconsistencies across jurisdictions. This adds time and cost to construction.

This patchwork of building code requirements also undermines Canada’s hope of building more modular and pre-fabricated housing. Manufacturing requires standardization, and factories can only mass-produce when building codes are consistent. When the rules vary from province to province, let alone city to city, manufacturers can’t design one set of templates or layouts. Instead, they have to reconfigure production for each jurisdiction, eliminating economies of scale and standardized practices, and resulting in longer build times and higher costs.

Further complicating matters, not only do building codes vary across jurisdictions, they can be [interpreted](#) and applied differently *within* the same jurisdiction. A contractor may receive an approval for a project by one officer responsible for reviews and approvals in a particular province or city, only to have that same project [rejected](#) by a different officer.



Positively, there is growing recognition by the federal government of the municipal barriers that impede construction. For example, [Budget 2025](#) announced funding in the Build Communities Strong Fund is conditional on the reduction of development charges (more on this later). However, this conditionality does not extend to other regulatory barriers that raise construction costs and delay projects.

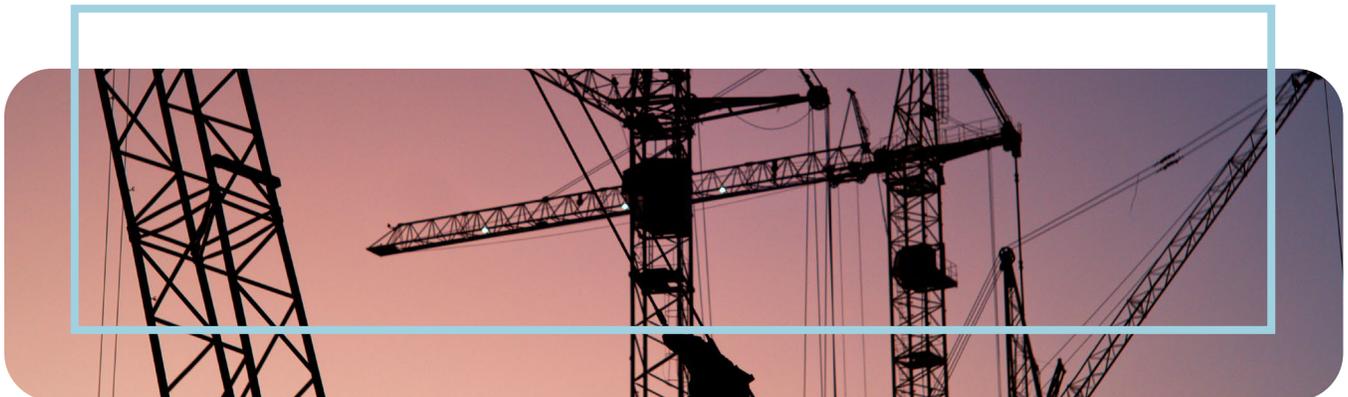
Aside from building codes themselves, construction companies must also contend with a range of administrative and procedural differences across Canada. For example, differences in registration processes and identification numbers for identical equipment across provincial regulators create delays and duplication in engineering submissions. Government procurement practices also differ across provinces, with different contracts, conditions, and requirements (such as technical specifications and submission format) for the same work.

For builders, these requirements make already-expensive projects even harder to deliver. Highly prescriptive rules reduce flexibility in project design and delivery, increasing costs and timelines. This affects both large construction companies as well as small ones, which make up a huge share of Canada's construction industry and have less capacity to absorb these costs.

Together, these issues add delays, raise construction costs and ultimately result in fewer projects being built.

## Recommendations:

- >> **Condition federal funds on provincial enforcement of harmonized building codes.** Tie transfers to provinces on municipal adherence to provincial building codes, withholding funding where municipalities impose additional requirements without demonstrated justification.
- >> **Use federal funding mechanisms to standardize approval criteria.** Require clear, objective approval standards as a condition of receiving funds to remove subjectivity and unpredictability in the project approval process.
- >> **Coordinate with provinces to harmonize registration and administrative processes.**
- >> **Support the creation of more provincial building code interpretation tribunals, as suggested by [BILD Alberta](#).** Work with the provinces to form authoritative bodies that issue final and binding interpretations of the building code during disputes affecting construction.
- >> **Extend conditionality across federal infrastructure funding programs.** Apply Build Communities Strong Fund conditions to other Housing, Infrastructure and Communities Canada funding streams provided to provinces and municipalities.



## COST-BENEFIT ANALYSES OF BUILDING CODE CHANGES

Over time, regulations have to change to meet new demands and adapt to changing circumstances. When they do, changes should be made with proper stakeholder engagement and analysis, and be harmonized with other regulations. But Canada's national building, fire, and energy codes don't function this way.

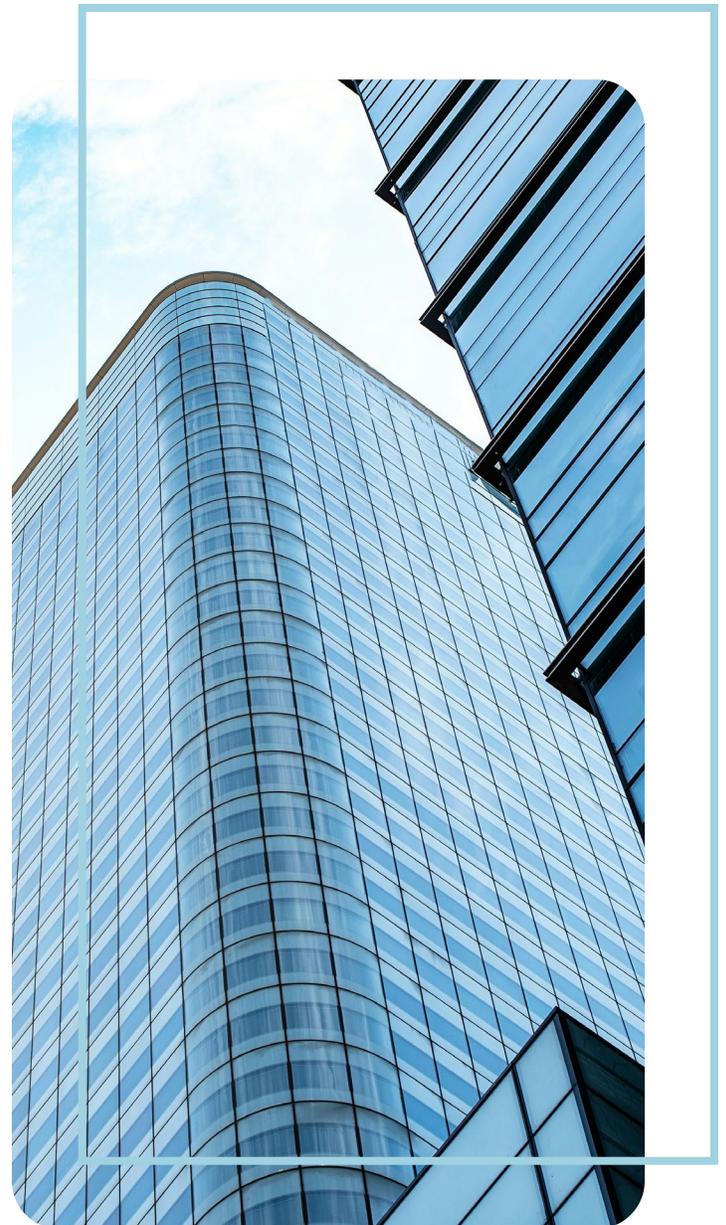
For example, the federal government has been promoting mass timber — an engineered wood known for its strength, fire and seismic performance, as well as its sustainability benefits. Given these features, one might expect mass timber to fit into existing regulations. But it doesn't. Even at the national level, the building code is not fully aligned with the fire code, which treats mass timber as conventional wood despite its greater fire resistance. This misalignment isn't just semantics — it means mass timber projects must undergo a separate approval process, adding time and layers of bureaucracy to what should be streamlined.

Moreover, when changes are made to the building code, they're often done without proper analysis of their effects. That's because updates to standards don't require cost-benefit analyses. The most recent update affected **16%** of existing standards but offered no sense of the impact on construction costs, or even the purported benefits.

This increases uncertainty for construction companies. As discussed, regulations typically increase construction costs, so when they change, the question is less whether costs will rise and more by how much.

### Recommendations:

- >> **Align national codes to eliminate redundant and duplicative processes.** Coordinate updates across building, fire, plumbing, and energy codes with structured and varied industry consultation.
- >> **Mandate advance cost-benefit analyses for building code changes.** Require transparent disclosure of methodologies and assumptions to affected industry stakeholders.



## DEVELOPMENT CHARGES

Municipalities charge development fees to cover the cost of increased demand on infrastructure and services like roads, transit, water and sewage, community centres, as well as police and fire departments. While the exact specifics vary by municipality, the fees apply to both residential and non-residential building, albeit usually at different rates.

The problem is that these fees are already high and growing quickly. Depending on the city, they can account for as much as [16%](#) of the cost of a single condominium unit. For a single detached house in Toronto, they total [\\$180,000](#) each. That amount has more than quadrupled over the last 20 years. On top of that, development charges have to be paid up-front by the homebuilder, which negatively impacts cash flow and makes it more difficult to get projects going.

While these fees are meant to cover the cost of growth, they often act as a barrier to it. Because they impact project viability, they ultimately reduce the number of new builds that move forward. And for projects that do go through, most of this cost is passed down to the buyer and/or renter, further exacerbating Canada's housing affordability crisis.

Development charges often apply to non-residential construction as well, making it more expensive to build commercial and industrial properties and creating another roadblock for business investment and expansion at a time when Canada urgently needs more of both.

On the positive side, [Budget 2025](#) recognized this issue and committed to provide federal funding from the Build Communities Strong Fund to provinces only if they “substantially reduce development charges and not levy other taxes that hinder the housing supply”. What this reduction amounts to exactly, and how it will vary across cities, is unknown.

It is also unclear whether this conditional funding applies to the reduction of development charges for commercial and industrial construction projects in addition to residential ones.

This is a step in the right direction, but more is needed. More importantly, it demonstrates that, while development fees are *municipal* charges, their impact on residential and non-residential construction is significant enough that addressing the issue will require action from all levels of government.

### Recommendations:

- >> [Define “substantial reduction” in development charges outlined in Budget 2025](#). Establish clear, measurable criteria for municipalities seeking access to the Build Communities Strong Fund by specifying whether reductions are uniform or tailored, and what minimum reduction thresholds will be.
- >> [Extend the development charge conditions from the Build Communities Strong Fund in Budget 2025 to commercial and industrial projects](#). Specify that eligibility is contingent on reductions that apply beyond residential construction.
- >> [Promote amortization of development charges](#) to reduce upfront capital costs for projects.
- >> [Extend conditionality across federal infrastructure funding programs](#). Apply the same Build Communities Strong Fund conditions to other Housing, Infrastructure and Communities Canada funding streams provided to provinces and municipalities.

## ACCESS TO LABOUR

Construction companies need to hire a large number of skilled workers to fill various roles in the building process. However, Canada's ongoing shortage of skilled construction tradespeople means that companies often turn to the Temporary Foreign Worker (TFW) program to fill labour gaps.

This program has faced criticism in recent years over [abuse](#) by some employers and concerns of [overexpansion](#) crowding out job opportunities for qualified Canadians. The federal government has made, and continues to make, changes to address these issues.

The focus here, however, is not on those changes, but on improving the core function of the TFW program. In its essence, the TFW program should function as a pressure valve, used to fill legitimate and temporary labour needs when qualified Canadians are not available.

To hire a foreign worker, construction companies must spend months completing paperwork, with multiple of their employees spending up to hundreds of hours on a single application. In the meantime, the job posting remains active, making it possible for a qualified Canadian candidate to fill the role. This is part of the Labour Market Impact Assessment (LMIA) process — an important requirement to ensure that no qualified Canadian candidate is available. The issue is not that the LMIA is required, but that its current setup is not well-suited for the construction industry's needs.

The LMIA process can take up to eight months for a single worker to be approved, including for highly skilled workers in short supply. That timeline doesn't match the reality of construction sector needs. Labour demand on jobsites shifts quickly, and an eight-month delay is simply unworkable for many companies.

There's also a separate, but related, issue: the TFW work permit application. Some of the fastest [processing times](#) for these are a somewhat-reasonable seven weeks, but are likely to be slower for occupations that are not in healthcare or agriculture, which are prioritized. Processing times also vary widely depending on the country from which the prospective worker is applying — ranging from seven weeks for applicants from the Philippines and Australia, for example, to over 180 weeks for those from Germany and Poland.

The process is also complicated by the National Occupational Classification (NOC) system, which uses unique "NOC codes" to classify the jobs that a foreign worker can do in Canada. The problem is that sometimes the position a company is looking to fill doesn't fit neatly into existing codes. Every company is unique and has project-specific needs, but this mismatch complicates the hiring of foreign workers and can delay or block their approval.

### Recommendations:

- >> [Introduce bundled or hybrid NOC classifications for construction trades.](#) Enable more accurate recognition of multi-skill construction roles.
- >> [Fast-track all TFW and LMIA processing for high-shortage construction occupations.](#) Prioritize skilled roles with significant labour gaps by implementing a service standard of two months total.

## INTERPROVINCIAL AND INTERNATIONAL LABOUR MOBILITY

The construction industry depends on skilled workers moving across the country to where they're needed most. This often happens within provinces, but large projects may require recruiting tradespeople from different parts of the country, or even from around the world, to meet demand.

Skilled tradespeople that hold a Red Seal certificate are generally able to work in their chosen profession anywhere in Canada. But not every journeyman has a Red Seal. Many trades — such as elevator mechanics and bricklayers — rely on provincial certifications that differ slightly from one province to the next. As such, they are unable to work outside their home province without completing additional courses, apprenticeships, or certifications.

These barriers add unnecessary friction to the labour mobility of skilled tradespeople. Reduced mobility within Canada means companies may not have access to the workers they need when they need them; and it prevents workers from taking advantage of job opportunities outside their home province.

The same is true for immigrants with skilled trades backgrounds. Many have years of experience and qualifications, but their credentials aren't recognized by provincial regulatory bodies. Although some provinces are more flexible than others — Alberta, for example, recognizes credentials from the U.S. and Ireland, and it is making headway on others — there are still too many exclusions, and differences across provinces only further complicate the issue.

In [Budget 2025](#), the federal government recognized the importance of this issue and dedicated \$97 million over five years to the Foreign Credential Recognition Action Fund, with a focus on the construction sector. However, it is unclear what will actually be done to improve the fairness, transparency, timeliness, and consistency of foreign credential recognition. Much more is needed, including more detail about how the system will be improved.

### Recommendations:

- >> **Condition federal infrastructure funding on labour mobility reforms.** Require provinces to demonstrate measurable progress in credential recognition.
- >> **Coordinate with provinces to require automatic recognition of out-of-province credentials.** Default to recognition unless clear, stated justifications exist for why further training is required.
- >> **Expand Red Seal coverage and foreign credential recognition.** Through Employment and Social Development Canada (ESDC), support the Canadian Council of Directors of Apprenticeship (CCDA) in efforts to include more trades within the Red Seal certification and broaden the scope of recognized international credentials.
  - > Provide federal support for the credential standard-setting process.
  - > Publish reports detailing which inter-provincial and international credentials are recognized and which are not, along with the reasons for non-recognition.

## ADMINISTRATIVE COSTS

In Canada, construction trades are tightly regulated, and for good reason — quality and safety rely on having the right workers with the right skills. But the system that’s used to verify those workers is cumbersome and inefficient.

When a worker is hired, companies must verify that the individual has the certifications they claim — a standard part of most hiring processes. However, as employers report encountering, certification documents are not always reliable and can be manipulated and fraudulent. As a result, businesses are forced to double check certifications, making them take on the work that credentialing and certifying bodies should be doing.

[Alberta](#), [B.C.](#), [Ontario](#), and some maritime provinces have [Tradesperson Lookup](#) tools employers can access to confirm authenticity when hiring tradespeople certified in those provinces. But other provinces don’t have this feature. This undermines the intended ease of mobility of the Red Seal program because interprovincially-recognized

credentials are, in practice, only as mobile as the verification system allows. Similarly, some non-Red Seal trades have interprovincial mobility on paper, but face the same practical barriers of verification.

As a result, businesses face slower onboarding of skilled workers and must spend hours on administrative work — time that could otherwise go towards building the housing, roads, and other important infrastructure Canadians need.

### Recommendation:

- >> **Support the creation of a centralized federal credentialing portal.** Coordinate with all provinces to streamline employer-employee verification or ensure universal access across provinces to Tradesperson Lookup tools.



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# REGULATIONS THAT INHIBIT EFFICIENT TRADE AND TRANSPORTATION OF GOODS

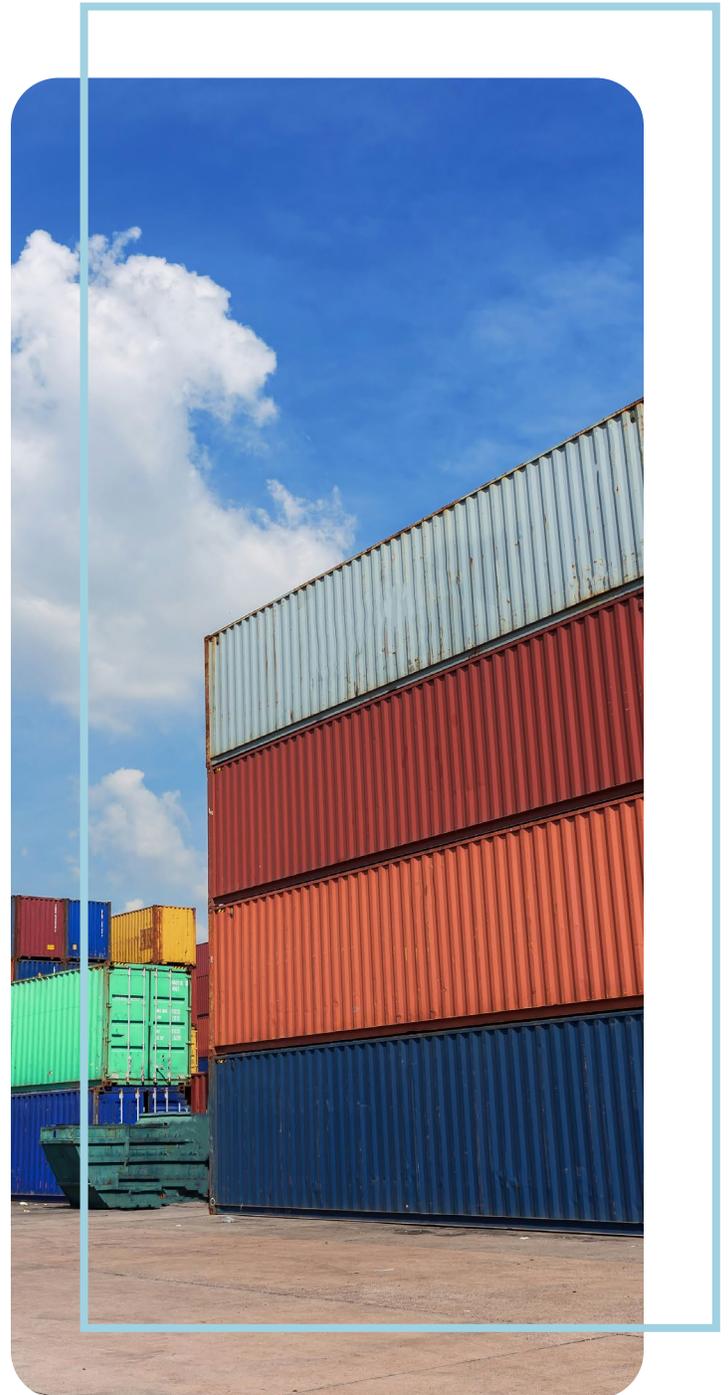
Canada's economy relies on international trade.

For that reason, access to efficient, inexpensive, and reliable trade-related transportation infrastructure is a key consideration for domestic and foreign companies across a range of industries when considering whether to invest in Canada. This is especially true of resource-based industries which drive economic activity across the country.

These investment decisions are undermined by regulatory challenges within Canada's trade-related transportation industries. These challenges threaten our competitiveness by adding costs, delays, and uncertainty. Ports are limited in their ability to modernize and meet growing demand, while rules surrounding labour relations in federally-regulated industries create challenges for preventing and responding to work stoppages.

These barriers can send shockwaves through the economy, impacting the businesses and people that rely on these transportation networks. They influence whether goods reach global markets when needed and whether investors see Canada as a reliable place to do business. In turn, this affects the country's ability to become more resilient and self-reliant.

Starting with the following regulatory issues, the federal government can meaningfully improve the competitiveness of Canada's trade and transportation system.



## CANADA LABOUR CODE AMENDMENTS

Exporters are vital to Canada's economy, supporting jobs and contributing significantly to national prosperity. These businesses require transportation of their goods that is predictable, reliable, and timely.

That's only possible if the people operating these transport services are on the job. Avoiding labour disputes must therefore be a top priority, supported by fair and effective mechanisms to resolve them as smoothly as possible when they arise.

However, there are various issues with the *Canada Labour Code*, including a recent change, which undermine that reliability. Altogether, three key issues must be addressed.

The first is a recent federal change to the *Canada Labour Code*, made in *An Act to amend the Canada Labour Code and the Industrial Relations Board Regulations*, bans the use of replacement workers in federally-regulated industries during strikes, affecting both railways and ports. This ban, which came into force in June 2025, includes the use of contractors as well as employees hired once formal bargaining has been initiated.

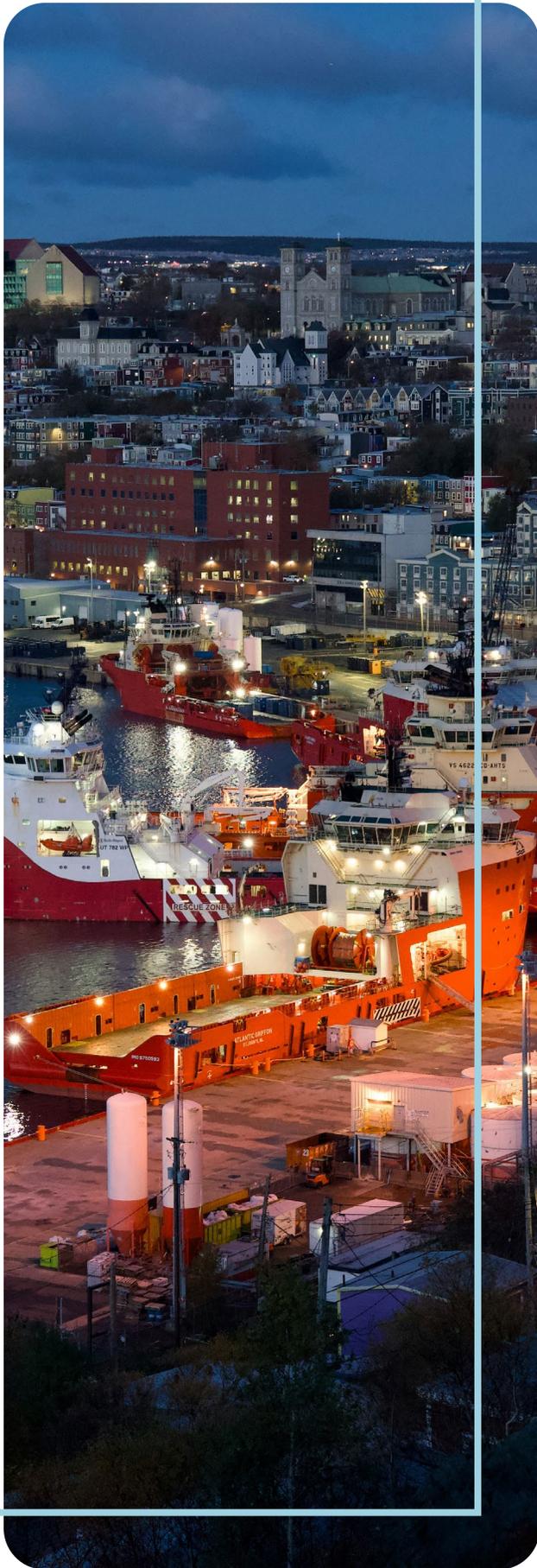
This law changes the dynamics of collective bargaining. Restricting the hiring of employees during strikes artificially strengthens unions' leverage during labour disputes. This distorts negotiations, reduces incentives for compromise, and makes it more difficult to automate and modernize operations as automation is often strongly resisted by unions because it can reduce employment. This law is also likely to prolong strikes for these same reasons of artificial leverage and reduced compromise, magnifying spillover impacts across the economy.

Second, proactive dispute resolution mechanisms that reduce the likelihood of strikes are largely absent in Canada. Without structured mechanisms to resolve conflicts early, strikes can become disruptive enough for the federal government to step in using ad-hoc back-to-work legislation or binding arbitration under Section 107 of the *Canada Labour Code*. With binding arbitration, employees are ordered back to work while a third party determines a resolution to the negotiation. This has become a default tool for resolving disputes, shaping how unions and employers approach negotiations. When both sides expect the government to intervene once there's a strike, the incentive to cooperate and compromise greatly weakens.

This increases uncertainty throughout supply chains and leaves governments forced to intervene after negotiations have already broken down instead of encouraging agreements to prevent disruptions from the beginning while positions are more flexible and information more available.

Third, under Section [87.7](#) of the *Canada Labour Code*, only grain going through ports is exempt from labour disruptions to ensure its movement during strikes. This exemption is in place due to the importance of grain as a critical export. However, it does [not extend](#) to any other products or to the rail network.

Furthermore, strikes can affect any one of Canada's valuable goods, with disruptions impacting the entire supply chain. For each day of a strike, it can take [three to five days](#) for supply chains to recover, according to the Railway Association of Canada. The 13-day West Coast port strike in 2023 created up to 66 days of overall supply chain delays, not including port- and vessel-specific delays. And that's not all. In the face of uncertain supply chains, some exporters may choose to prepare for potential strikes by stopping shipments months in advance to avoid shipments that are stuck at the port — a precaution that negatively impacts the economy even if a strike is avoided.



The federal government has both the authority and responsibility to strengthen the dispute resolution process to be more proactive for federally-regulated industries like railways and ports. Especially now as Ottawa explicitly protects striking workers in federally regulated industries through Bill C-58, it has even greater reason to ensure that strikes are less likely to occur.

### Recommendations:

- >> **Repeal Bill C-58, restoring prior *Canada Labour Code* provisions.**
- >> **Establish a Special Mediator for major labour disputes.** Appoint a mediator, designated by the Minister of Labour, to provide oversight and early intervention prior to strike action, as outlined in the [Industrial Inquiry Commission on West Coast Ports](#).
- >> **Designate rail service essential for basic export goods.** Extend Section 87.7 of the *Canada Labour Code* to include rail (Section 2, paragraph b) alongside ports (Section 2, paragraph a).
- >> **Expand essential service protections to additional export goods, not exclusively grain.** Include commodities such as canola and fertilizer under Section 87.7 of the *Canada Labour Code*.

## ACCESS TO RAIL PROVIDERS

Canada's rail network is vast, covering huge areas of the country to connect our ports and producers. For many exporters, rail is the backbone of trade; their goods can't reach international markets without it. But it can also be a sticking point. Large portions of the country are only served by one rail company, meaning that shippers are captive to a single service provider.

That lack of competition can drive up costs and reduce reliability, creating a problem for producers of major export products like grain, canola, and fertilizer. When only one rail carrier is available, shippers have little bargaining power, leaving them vulnerable to higher rates or poorer service. While dispute resolution mechanisms such as Final Offer Arbitration and Service Level Arbitration do exist to help address these problems, they do not provide exporters with more shipping options.

One tool meant to address this problem is interswitching. Interswitching allows a shipper that is only served by one rail company to access another provider's tracks, as long as the shipment origin is within a certain distance to an existing rail interchange (where the switchover from one carrier to another takes place). In theory, this creates some competition by providing shippers with more service options and leaving fewer captive to one rail company.

But current interswitching distances don't go far enough. Right now, interswitching rules allow a shipper to access other rail providers if that shipper is within 30 kilometres of a rail interchange. But very few are within this distance. For example, in Saskatchewan, [200 of the 203](#) grain handling facilities are captive to one rail company — and only 23 are within that 30-kilometre radius.

One potential solution to this problem is to extend the eligible distance that would trigger the interswitching option. Indeed, from 2014–2017, the federal government piloted the expansion of the interswitching threshold to 160 kilometres as a temporary measure in response to challenges with grain movement after a record grain drop and harsh winter in 2013/14. A similar pilot was in place from September 2023 to March 2025 in the prairie provinces. However, that pilot was not permanently implemented, likely due to it needing legislative renewal and its [expiration](#) corresponding with Parliament's 2025 prorogation.

During these pilots, shippers reported that extended interswitching provided [leverage](#) in negotiations and improved service and freight rates. This is true even if relatively few shippers make use of the competitor. Simply having a competitive option strengthens shippers' bargaining position and encourages improvements. And many shippers [didn't](#) make use of the competitor during the pilot programs because they had multi-year contracts with their rail provider, which didn't expire until after the pilot had ended, and were reluctant to damage the relationship with their current rail provider.

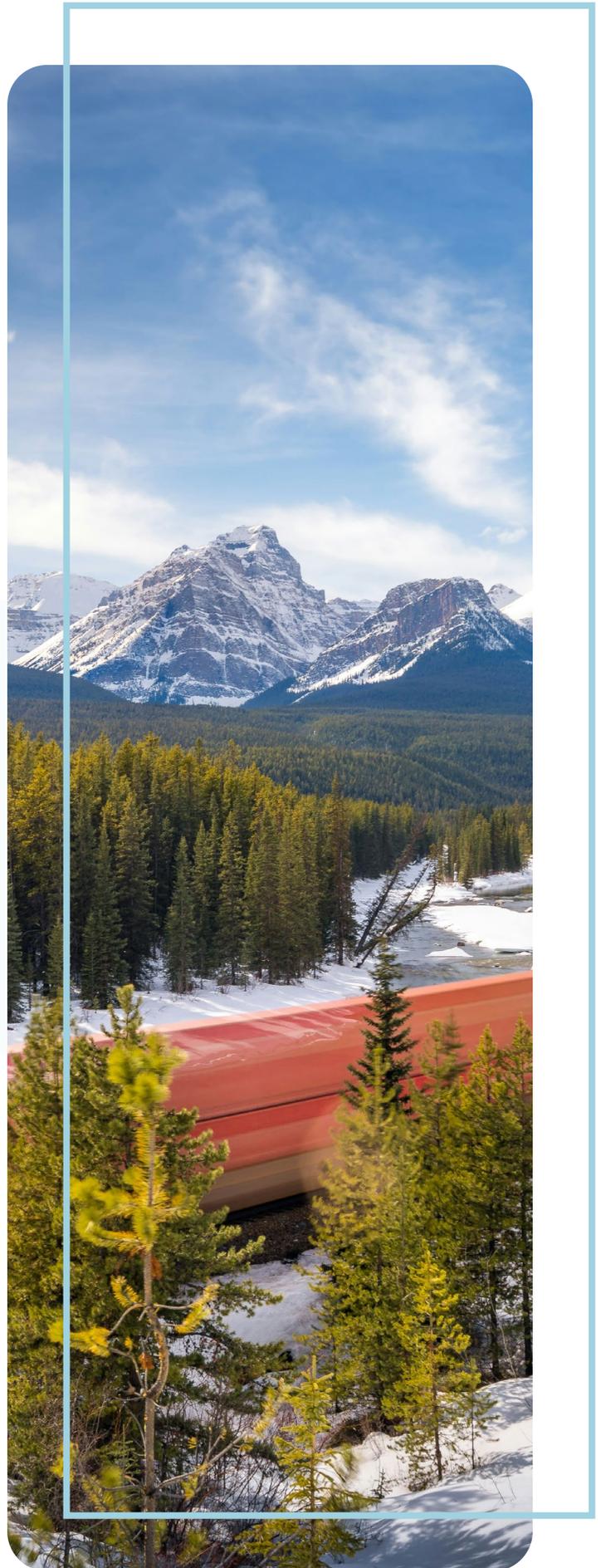
Some have raised [concerns](#) that interswitching could divert traffic to the U.S., thereby affecting Canadian jobs and investment, as it increases shippers' access to alternative routes and carriers. However, Canadian National Railway (CN) and Canadian Pacific Kansas City (CPKC) already have extensive U.S. networks totalling 22,000 kilometres, meaning shippers already have the option of moving freight into the U.S. regardless of interswitching. Interswitching doesn't create a new route; it simply gives shippers leverage between these two carriers. As such, during the 2014–2017 pilot, rail traffic volumes from prairie provinces to destinations in the U.S. did [not increase](#) as a percentage of total rail traffic, or in absolute terms.

In addition to extended interswitching, another way to improve rail service is to tie financial incentives to performance. While this occurs naturally in most markets, Canada's rail system could emulate it by tying the Maximum Revenue Entitlement (MRE) – the cap on total revenue railways can earn from regulated grain shipments – to performance metrics like reliability and timely shipments.

For exporters, having choice and performance incentives makes a big difference. Without these mechanisms, many remain captive to a single provider, leaving them vulnerable to price spikes and delays. This is sub-optimal for an export-dependent country like Canada.

#### Recommendations:

- >> **Make extended interswitching (160 kilometres) permanent.**
- >> **Tie Maximum Revenue Entitlements to service performance.** Allow rail companies to earn more in exchange for improved service, such as by adopting a [nonlinear](#) performance-based MRE formula as recommended by the Commissioner of Competition in 2015.



## PORT MODERNIZATION

Canada has some of the least productive ports in the world. According to the [World Bank's Port Performance Index](#), Vancouver ranks 356 out of 405 ports worldwide, and Montreal is only slightly higher at 348. No Canadian ports are in the top 100.

Several factors contribute to this poor international performance. However, there is a central theme: inefficiency caused by barriers to investment, technology adoption, and modernization.

Problems with port efficiency may seem relatively mundane but they can have major consequences. For example, grain loading at the Port of Vancouver essentially comes to a halt when it [rains](#) because grain spoils when it gets wet, and the port doesn't have covered conveyor systems. Ports in other countries are sufficiently modernized to deal with this problem, but not in notoriously rainy Vancouver. While [steps](#) are finally being taken to address this issue, grain companies estimate that they lose [30-60](#) days of productivity each year at B.C. terminals because of these setbacks. And that doesn't even consider the impact on the broader transportation system due to increased congestion from anchored ships and rail backlogs.

The grain loading issue is just one example of a broader systemic problem at Canadian ports: an overreliance on manual processes and outdated technologies compared to our global competitors. Canadian ports must invest in greater automation, efficiency, and technology to be globally competitive and support the export of Canada's products to global markets — an imperative made all the more urgent given the nature of Canada's trade relationship with the U.S. The longer we delay modernizing our ports, the more Canadian exporters will be left behind as other countries become more efficient and competitive.

The scale of investment needed to bring Canadian ports in line with our international competitors is significant. The Association of Port Authorities estimates that Port Authorities will need to invest up to [\\$21.5 billion](#) by 2040 to meet port infrastructure needs such as rehabilitating decades-old piers and docks at risk of failure, building new container terminals, and expanding existing ones. This is about both maintenance and technology modernization to increase capacity — [80%](#) of current and future investment needs identified by Canadian Port Authorities relate to expansion and growth. But ports have [borrowing limits](#) that prevent them from accessing enough private capital to make those investments. And the process of raising these [limits](#) takes too long for ports to properly respond to commercial opportunities.

Canada's system of major project approvals and permitting only magnifies the problem. Concerns with this system are addressed in detail in two companion papers to this one, *Restoring Confidence in Major Project Reviews Part I* and *Part II*.

However, it's worth highlighting the delays surrounding the [Roberts Bank Terminal 2](#) project at the Port of Vancouver as an example. The project review process began in 2013 and only received environmental approvals a decade later [subject to 370 binding conditions](#). Early construction work is expected to begin in [2027](#), with the terminal to be operational in the mid 2030s — more than 20 years after the project was first put forward.

Another problem is that Canadian Port Authorities are [limited](#) in the types of business activities they're allowed to pursue. For example, they are not allowed to develop and operate inland ports which can integrate with marine ports to create an efficient, streamlined supply chain for exporters.

Equally problematic is the [lack of cooperation](#) between ports themselves. Each port authority functions as a separate federal entity with little ability to share data, align plans, or coordinate investments. This limitation is enshrined in the *Canada Marine Act*, which only allows such cooperation if there is a complete merger between ports. The result is a fragmented system in which Canada's marine ports cannot be developed as part of a coordinated national strategy.

Port modernization often meets direct resistance, too. Unions, concerned about potential job losses, repeatedly oppose these efforts, as seen in recent years in Vancouver, Montreal, and Halifax. As mentioned earlier, Bill C-58's ban on the use of replacement workers during labour disputes only exacerbates that problem.

The impact of all these factors on business investment in Canada is not hard to see. Most recently, Nutrien announced plans to build a new US\$1 billion export terminal in Washington State instead of Vancouver. The company [cited concerns](#) over bottlenecks and labour stoppages as reasons for that decision.



## Recommendations:

- >> **Direct federal funding toward port modernization such as weather-proofing, automation, and resilience.** Use the National Trade Corridors Fund to address gaps private investment can't fill and make the fund permanent beyond its 2028 sunset.
- >> **Reduce port rent or provide tax credits to port authorities investing in federally prioritized infrastructure, such as port modernization.** Incentivize timely investment in capacity, efficiency, and resilience.
- >> **Amend Section 28(2)(a) of the *Canada Marine Act* to expand permissible port activities.** Increase flexibility to allow port authorities to undertake business activities that support their operations.
- >> **Amend the *Canada Marine Act* to enable the creation of inland ports** by implementing the relevant provisions set out in Bill C-33.
- >> **Amend the *Canada Marine Act* to enable greater coordination among ports,** supporting coordinated operations and investment planning.
- >> **Increase or remove port authority borrowing limits.**
- >> **Repeal Bill C-58, restoring prior *Canada Labour Code* provisions.**

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# OTHER REGULATIONS THAT ADD COSTS AND COMPLIANCE BURDENS

No list of federal regulations, laws, and policies that deter business investment is going to be comprehensive. This report has drawn attention to a selection of issues flagged by the business community, grouped into thematic categories.

However, there are a few examples of high-impact outliers — regulatory barriers that do not fit within those themes but are nonetheless significant impediments to investment. The common thread is that these regulations add unnecessary costs and compliance burdens that are disproportionately large relative to any offsetting benefits.

Addressing the following regulations is therefore essential for creating a well-rounded regulatory environment that supports efficiency, investment, and growth across the economy.

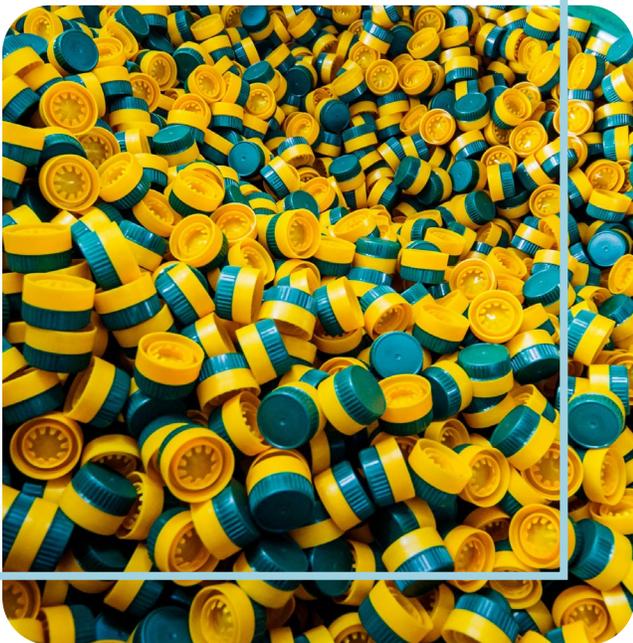
## FEDERAL PLASTICS REGISTRY

In September 2025, reporting requirements began for the [Federal Plastics Registry](#) (FPR). The FPR requires businesses to report annually on the production, importing, manufacturing, distribution, collection, re-use, recycling, and disposal of plastics.

This regulation applies to any business manufacturing, importing, or “placing on the market” more than 1,000 kg of plastics a year, regardless of sector or industry. Businesses are expected to collect “reasonably accessible information” about their use of plastics — a term that remains undefined but includes requesting detailed information from suppliers about plastic composition.

As a result, Canadian manufacturers and retailers must collect and report information on plastics they don’t make or design, and over which they have little knowledge or control once used by other companies. For example, a manufacturer of industrial equipment that orders numerous plastic components for its products would be required to report up and down the supply chain for each one.

These requirements create significant reporting and tracking obligations, consuming time and resources that could otherwise be devoted to more productive activities. Businesses that don’t comply face steep [penalties](#) — \$500,000 for first-time offences and double for subsequent offences.



In addition to missing the reporting deadline, providing “false or misleading information” also counts as an offence, despite limited clarity on what that means.

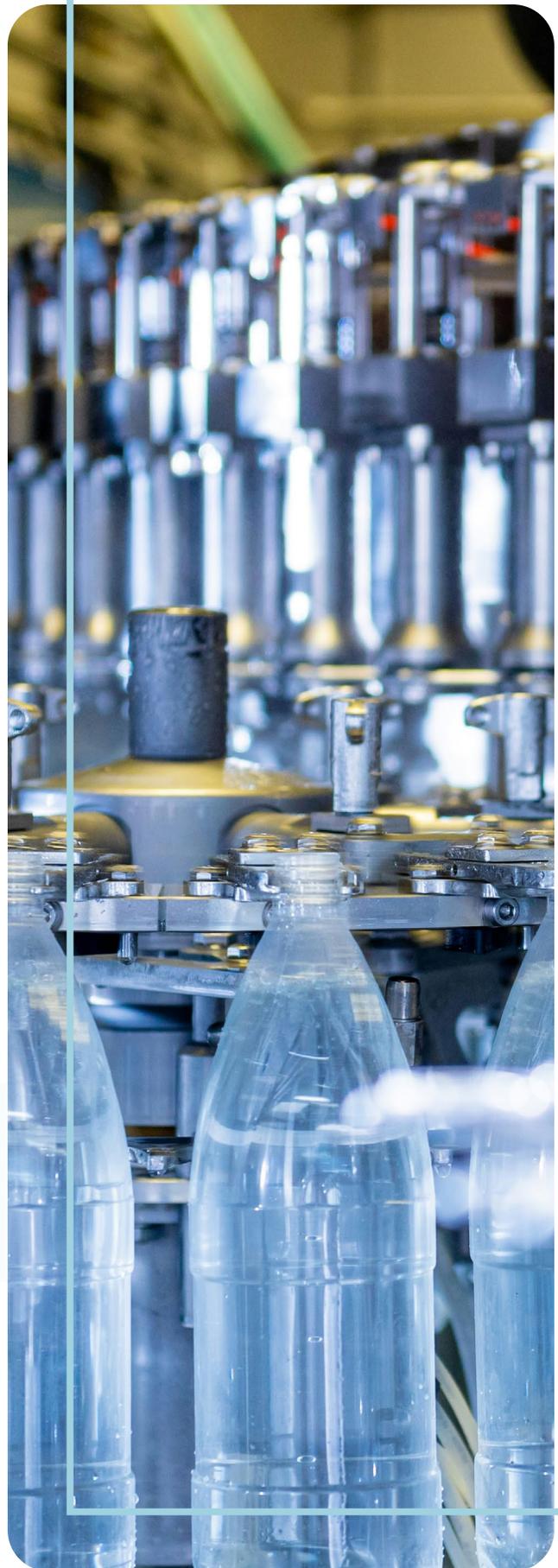
The administrative burden imposed by the FPR is also set to grow. Reporting requirements will extend with each year of the Registry’s three-year rollout by including more “waste streams” for plastic products and applying to more sectors and businesses. Businesses with multiple waste streams for various products will be required to file reports for each stream.

The FPR exists in part to ostensibly advance the goals of the Canada-wide Action Plan on Zero Plastic Waste through this increased information-gathering. But the FPR has a significant amount of [duplication](#) with provincial reporting that is [already required](#) for packaging materials, creating a largely parallel process with [overlapping rules](#). And while the FPR aims to reduce plastic waste with some of the strictest reporting requirements worldwide, Canada already has one of the [lowest levels](#) of plastic pollution globally.

Taken together, these requirements impose significant costs on businesses via reporting and compliance burdens, all without providing a clear or necessary environmental benefit.

**Recommendation:**

>> [Eliminate the Federal Plastics Registry.](#)



## SPECIES AT RISK ACT

As mentioned, one of the biggest obstacles to business investment in Canada is the project review systems that govern major project development. These processes have become long, costly, and are filled with political uncertainty. As a result, Canada has lost out on billions of dollars in project investment opportunities. Two companion papers to this one, *Restoring Confidence in Major Project Reviews Part I* and *Part II*, propose detailed changes to address these concerns.

But the challenges don't end when these systems approve a major project. Companies also face restrictions on when, specifically, they are allowed to build it. This is especially an issue for linear infrastructure projects like pipelines and roads. Construction windows can be closed at various times during the year in order to protect animal migration routes, nesting habitats, endangered species, and other wildlife and biodiversity considerations.

Both the federal and provincial governments can impose such restrictions. Federally, this happens through acts such as the *Species At Risk Act*, the *Migratory Birds Convention Act 1994*, and the *Fisheries Act*. Companies need to carefully plan their construction activities to take place within allowable windows.

The challenge is that when multiple such restrictions exist, the effective construction window shrinks. In some cases, the cumulative effect of several different environmental windows can limit annual eligible construction time to just six weeks.

Protecting species and other environmental values is important, but a balance needs to be struck so that businesses can spend more time building and less time waiting. The longer they wait, the higher construction costs and greater the risk of a project actually reaching timely completion.

To improve this situation, the federal government should adopt a risk-based methodology when determining the size of construction windows. High-risk windows should remain closed while allowing more flexibility when the risk to species is lower. The end goal should be to broaden construction windows without creating unreasonable new risks for endangered species and habitats.

### Recommendation:

- >> **Adopt a risk-based strategy to rank and prioritize environmental windows.** Work with past and present project proponents through the Red Tape Reduction Office to better assess the cumulative impacts of narrow windows on construction to facilitate longer construction periods.



## FISHERIES ACT OFFSETTING PLANS

Canada has strong protections in place intended to preserve its pristine natural environment. Ideally, these protections should be clear and based on consistently applied principles. However, that's not always the case.

Any business undertaking a project that disturbs fish habitat — a bridge or new hydroelectric dam, for example — is required by the *Fisheries Act* to create an “offsetting” plan to be approved by Fisheries and Oceans Canada (DFO). Essentially, when a project involves unavoidable disruptions to fish habitat, the company is required to develop a plan that compensates for that impact with some other positive benefit elsewhere.

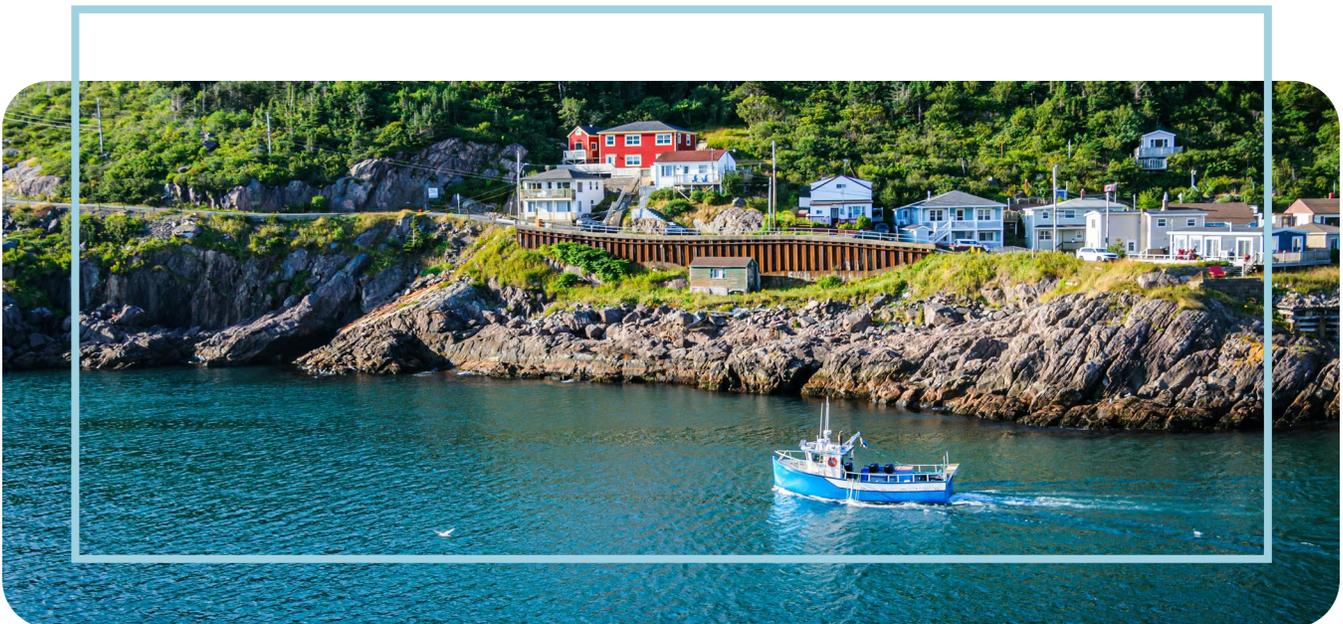
While reasonable in theory, businesses find that, in practice, this process is slow, ambiguous, and inconsistently applied. Criteria for offsetting lack [standardization](#), leaving business unsure of what offsets will be accepted. This ambiguity leads to inconsistent rulings, with projects seemingly at the mercy of the particular DFO officer overseeing their application. For example, [Waterpower Canada](#) has been requesting clarity on how

the Act's offsetting requirements are applied to hydropower projects since it was amended 6 years ago, and has yet to receive any.

These offset requirements should be well understood by proponents and the consultants that support the compensation recommendations made to the DFO. Importantly, if an offsetting plan is egregiously insufficient, it should not be accepted and decisions must be made in a timely, clear, and consistently applied manner.

### Recommendation:

- >> [Provide clear, standardized offsetting criteria in advance of project applications](#) by clarifying approval requirements under the *Fisheries Act*.
  - > For example, adopt clear offsetting-to-impact ratios from [Alberta's Wetland Policy](#) — which has a standard replacement ratio — and apply it to fish and fish habitat by the DFO as a Code of Practice, as recommended by [Aquatic Habitat Canada](#).



## AIR TRAVEL TAXES AND FEES

In a country as vast as Canada, air travel is a necessity for personal as well as economic connectivity. It enables economic growth, trade, tourism, and labour mobility, all crucial priorities to driving Canada forward. Canada is looking to strengthen its domestic productivity and competitiveness, and the time is now to put in place policies that will enable Canada's aviation system to become more competitive, productive, and affordable.

The high price of air travel in Canada is increasingly driven by federal taxes, fees and regulatory costs and inefficiencies which impact airline ticket pricing and airport operations. Charges such as air traffic control costs, fuel taxes, airport rent to government, and the Air Travellers Security Charge — the latter of which increased by 33% in 2024 — now represent a significant portion of the total price paid by travellers. These federal cost drivers are largely outside the control of airports and airlines, yet they directly affect passenger demand, network growth, and investment decisions across the aviation system.

First, these fees have a direct and negative impact on air travel in Canada. They disproportionately hurt smaller communities who rely most on the short haul flights whose prices have risen most in response to fees. Additionally, Canada's airlines and airports have repeatedly raised concerns with proposed changes to Air Passenger Protection Regulation (APPR), as well as a proposed \$790 cost recovery levy that airlines would have to pay for every claim submitted by a passenger to the Canadian Transportation Agency (CTA). These proposals will increase costs, harm regional connectivity, and do nothing to improve performance.

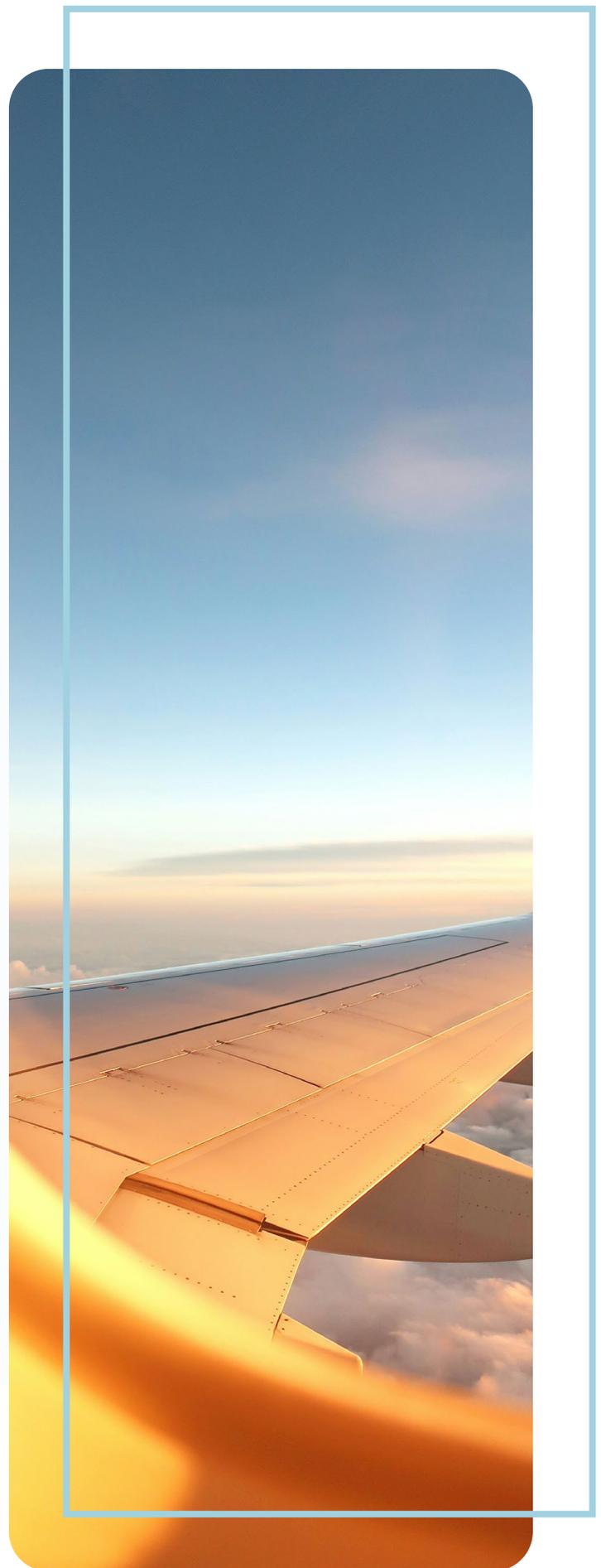
Second, these federal costs and inefficiencies result in lost business activity. Many Canadians choose to cross the border and fly from highly subsidized U.S. airports to access cheaper flights. In fact, there are even airports in the U.S. where the [majority](#) of passengers are Canadian. Federal policy has layered additional rent, taxes, and regulatory obligations on top of Canada's aviation sector. Unlike other transportation modes, aviation infrastructure receives limited programmatic support, despite its critical role in enabling trade corridors, regional connectivity, and economic development.



Improving air travel affordability requires a coordinated federal approach that addresses costs at their source. Reforming federal rent, modernizing regulations, accelerating digitization, and ensuring aviation infrastructure is treated as a strategic national asset will allow airports to continue investing in capacity, resilience, and passenger experience — while supporting a more affordable and connected aviation system for Canadians.

### **Recommendations:**

- >> **Eliminate aviation fuel excise taxes and reduce federal aviation charges, including the Air Travellers Security Charge.** Pause any new increases in fees while affordability and modernization reforms are implemented.
- >> **Modernize Canada's aviation regulatory framework** to improve affordability for Canadians, including reforming the Air Passenger Protection Regulations (APPR), and improving regulations to support efficient operations without compromising safety or security.
- >> **Introduce an essential air services program for regional and short haul air services** to reflect their unique economics and preserve essential connectivity for smaller communities.
- >> **Eliminate federal airport ground lease payments.** Failing that, at a minimum, immediately cap payments at current levels and reinvest those funds into upgrading airport infrastructure.



## GREENWASHING PROVISIONS IN THE COMPETITION ACT

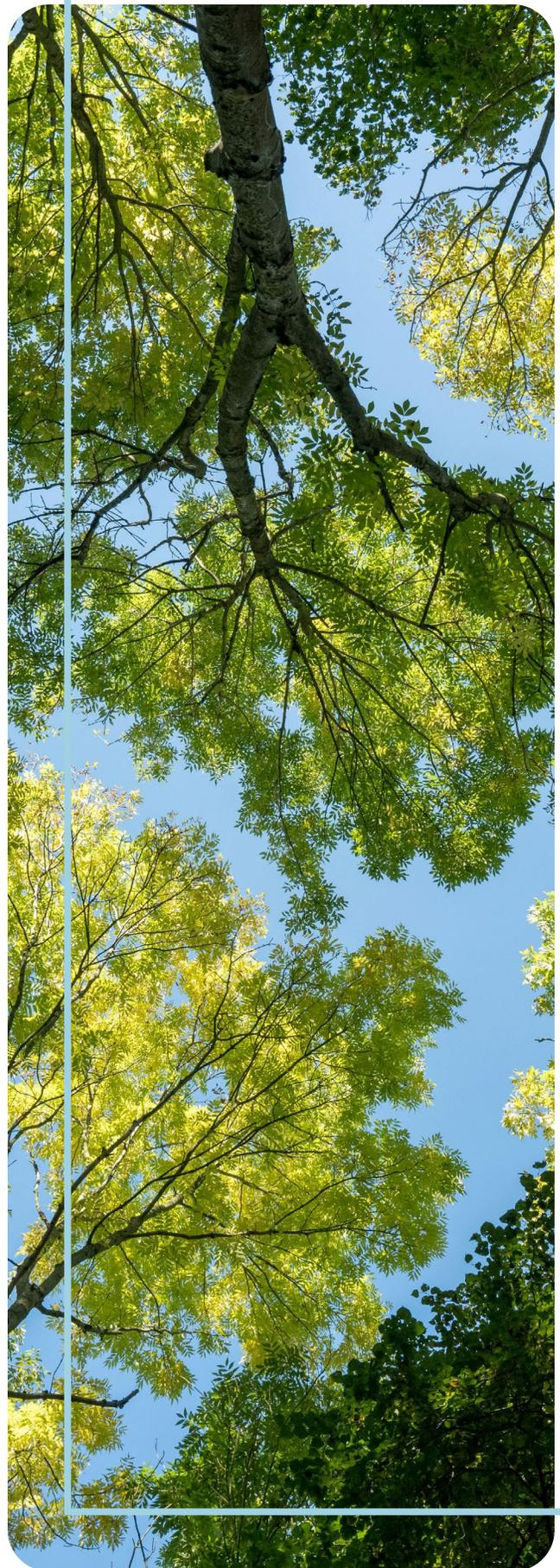
In June 2024, the federal government added new “greenwashing provisions” to the *Competition Act*. They were meant to discourage businesses from making false or misleading claims about the environmental and climate impacts of their business, products, and business activities.

Of course, businesses should be transparent and accurate in their public statements.

However, the greenwashing provisions — which became law without meaningful consultation or debate — created significant legal uncertainty for businesses trying to publicly communicate their good-faith efforts to improve environmental innovation and performance. The legislation opened businesses up to legal scrutiny if publicly-stated aspirations failed to be substantiated according to vague and ill-defined standards.

To its credit, the federal government in Budget 2025 made amendments to the greenwashing legislation to reduce the risk of private litigation and remove a problematic standard for substantiating public statements (i.e., “in accordance with internationally recognized methodology”).

However, the amended provisions still create hesitancy for businesses. For instance, business activity claims now only require “adequate and proper substantiation”, which includes the literal meaning as well as a broader “[general impression](#)” conveyed via context, words, images, and layout. Given this broad scope, businesses are likely to be just as hesitant about making aspirational environmental claims.



To reduce their greenhouse gas emissions, businesses often need to make multidecade investments into technological innovations — especially in energy intensive operations. Achieving these reductions requires setting ambitious climate performance targets, developing a plan, establishing a timeline, and deploying capital to achieve it — even if results do not always meet expectations.

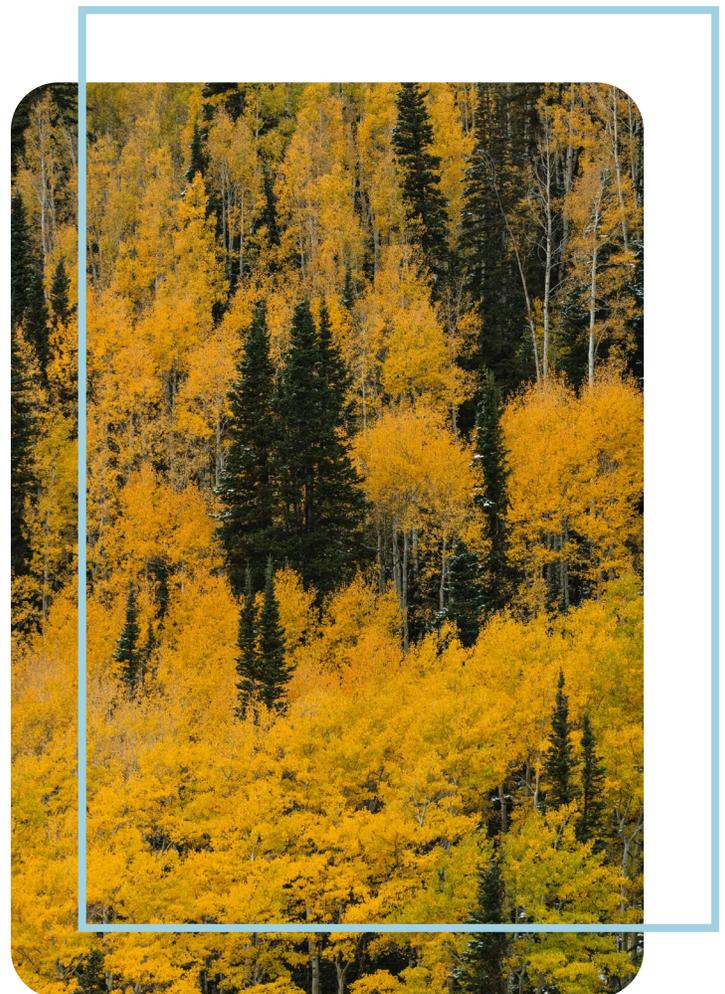
But the greenwashing provisions do not allow businesses to communicate their aspirational plans unless they can guarantee the process and their future outcomes. Since the law discourages communicating these aspirations for fear of future reprisal if reality falls short of them, it discourages businesses from being aspirational at all. The risk of non-compliance with the greenwashing provisions outweighs the potential benefits of risking the capital to achieve the environmental goals. This can result in businesses avoiding environmentally beneficial investments altogether.

Uncertainty is further compounded by the federal government’s long-standing plan to implement financial and securities disclosure requirements stemming from the Task Force on Climate-Related Financial Disclosures (TCFD). These forthcoming rules run counter to the greenwashing provisions, as they entail forward-looking disclosures while the greenwashing provisions discourage them, creating legal risk and hesitancy. Although the Canadian Securities Administrators (CSA) paused these requirements in April 2025 in response to U.S. tariffs, the CSA is expected to revisit this topic [“in future years to finalize requirements”](#).

Businesses need a regulatory environment that is simple, clear, and encourages ambitious private sector investments in innovative clean technologies. Canada should be a world leader in economic growth and environmental performance — especially in hard-to-abate industries. But right now, the greenwashing provisions stand in the way.

## Recommendations:

- >> **Repeal the greenwashing provisions.** Protect businesses’ aspirational business goals and future-oriented climate statements.
- >> If not repealed:
  - > **Issue detailed guidance on “adequate and proper substantiation.”** Tailor requirements by statement type and target audience.
  - > **Exempt mandatory disclosures made under other regulatory frameworks such as securities regulators and those resulting from the TCFD.** Ensure that businesses are not subject to conflicting compliance obligations.



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# CONCLUSION

Addressing the regulatory and policy barriers highlighted in this report would send a clear signal that Canada means business and is serious about improving its competitiveness and investment climate. Reducing these high-impact frictions would begin to tilt the balance in Canada's favour — lowering risk, reducing costs, and influencing investment decisions at the margin.

But targeted fixes alone are not enough to transform Canada's investment climate or economic trajectory. Restoring competitiveness requires a regulatory system that supports growth consistently and predictably across the economy.

As part of *From Barriers to Breakthroughs*, the accompanying reports take on that broader challenge: first, by addressing major project approvals — where systemic weaknesses are most visible and costly to investment decisions — and second, by setting out the deeper, system-wide reforms needed to ensure Canada's regulatory framework supports growth, accountability, and long-term investment confidence across all sectors.





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