

CFIA Report Card

A small business assessment of the Canadian Food Inspection Agency

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Highlights

- ▶ Nearly two-thirds of businesses in the food production industry report the burden of CFIA regulations has increased in the past three years.
- ▶ CFIA regulations impact small businesses through lost productivity and add significant stress for those that deal with them.
- ▶ The average business interacting with the CFIA commits over 29 days per year to comply with CFIA regulations.
- ▶ The average business interacting with the CFIA spends over \$19,000 per year to comply with CFIA regulations.
- ▶ Only one in five businesses believe the CFIA provides good overall service.
- ▶ Poorest service ratings were reported to be frequency of regulation changes, consistency, and fairness of penalty labels.
- ▶ The CFIA could significantly improve its communication with the small business community.
- ▶ CFIA inspectors received more favourable results than the CFIA as an organization.

opportunities. However, the regulations put in place to safeguard food products place a significant workload on the industry.

Regulation is consistently identified by small business as second only to taxation in its overall negative impact. The Canadian Federation of Independent Business's (CFIB) 2005 report *Rated "R: Prosperity Restricted by Red Tape* conservatively estimates the total cost of regulation at \$33 billion a year. Sector specific breakouts of the data in the *Rated "R"* report reveal that agricultural businesses are among the hardest hit by regulation. This report investigates an important component of that burden – the impact of the Canadian Food Inspection Agency (CFIA) on business.

"This agency costs us hundreds of thousands of dollars per year with their demands. The attitude is that we are always trying to pull something over them whereas all we want to do is to produce the best products for our market. It is not in our best interest to try to push product through that is not up to the quality that our customers demand. We survive in business by keeping our customers happy and satisfied with the products they buy."

CFIB Member, Ontario

Introduction

Canada's agriculture and agri-food sector is a diverse industry with many stakeholders involved in the production of the food products Canadians consume and export. Small- and medium-sized enterprises (SMEs) that are part of this process thrive in an environment that is fast paced, innovative and fiercely competitive. To be successful, they must be innovative and flexible enough to identify and capitalize on business

While SMEs understand that a certain amount of regulation is important for food safety, excessive red tape has a negative impact on the overall productivity of the sector. The

challenge for businesses rests in maintaining the safety of the food products produced and dealing with government red tape without hindering their performance.

The CFIA delivers inspection programs related to food, plants and animals across Canada. CFIA's role is to enforce the food safety and nutritional quality standards established by Health Canada, and to set standards and carry out enforcement/inspection for animal health and plant protection. As such, the CFIA interacts with SMEs in the food production industry on a regular basis and members of the CFIB have identified the Agency as one of the government bodies that is most burdensome, from a regulation point of view, to their business.

Typically, businesses that deal with the CFIA must do so in order to be compliant with various legislative Acts. The Agency is the key entity responsible for the 'programs and services designed to protect Canadians from preventable food safety hazards'¹. As such, the CFIA has a monopoly on the services it provides for SMEs. In this regard, the CFIA has a significant impact on businesses involved along the food production chain.

Many of CFIB's members are involved in activities that are regulated by the CFIA. To provide an assessment of the Agency's interaction with the SME sector, CFIB surveyed independently owned businesses across the country that interact with the CFIA, including those involved in primary production, food processing, and fishing. CFIB's survey regarding the CFIA was conducted by password-protected email in the fall of 2006. A total of 380 members participated, which corresponds to an overall margin of error of plus or minus 5.0, 19 times out of 20.

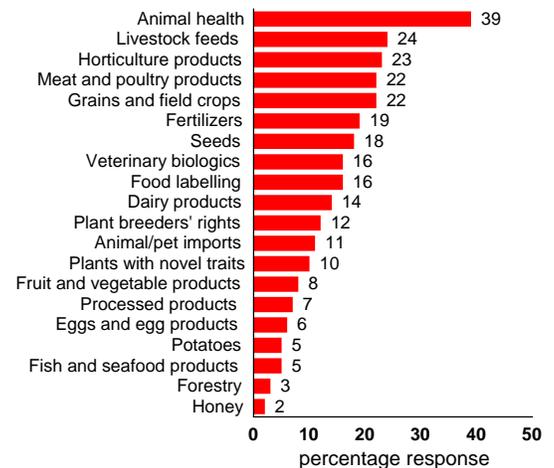
CFIB's survey provided businesses with an opportunity to expand their views of dealing with the CFIA using 'open-ended' questions and some of these have been provided as appendices to this report. As well, selected comments have been inserted throughout this document.

SME interaction with CFIA

The CFIA is involved in many domains as they 'safeguard not just the food supply but also the plants and animals upon which safe and high quality food depends'². CFIB asked members to indicate the various areas of CFIA responsibility that impact their business (see Figure 1).

Figure 1:

What CFIA areas of responsibility does your business deal with the CFIA directly?



While all areas of CFIA responsibility influence CFIB members, specific areas were emphasized more, including animal health, livestock feeds, horticulture products, meat and poultry products, and grains and field crops.

The frequency of CFIA and SME interaction varies (see Figure 2). Twenty-one per cent deal with the CFIA weekly, 18 per cent monthly, 19 per cent quarterly, and 28 per cent annually. Fourteen per cent of respondents said they deal with the CFIA outside of the above time frames, including 'as required,' or 'indirectly' through other organizations. These results demonstrate, through regular interaction, the CFIA has a significant impact on the operation of businesses in the food production industry.

¹ CFIA: <http://www.inspection.gc.ca>

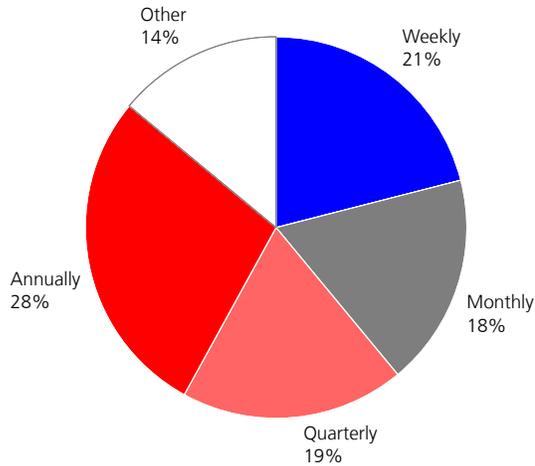
² CFIA: <http://www.inspection.gc.ca>

“Service hours suit the CFIA, not the industry they are serving. Rules seem open to interpretation and can cost a business millions. They have no concept of the money they cost industry, nor do they seem to care.”

CFIB Member, Ontario

Figure 2:

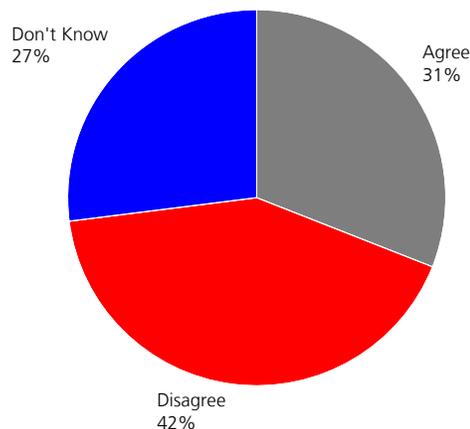
How often does your business deal with the CFIA to perform your business activities?



While relevant SMEs deal with the CFIA regularly to perform their various business activities, a large percentage, 42 per cent do not feel the CFIA is aware of how regulations impact their business (see Figure 3).

Figure 3:

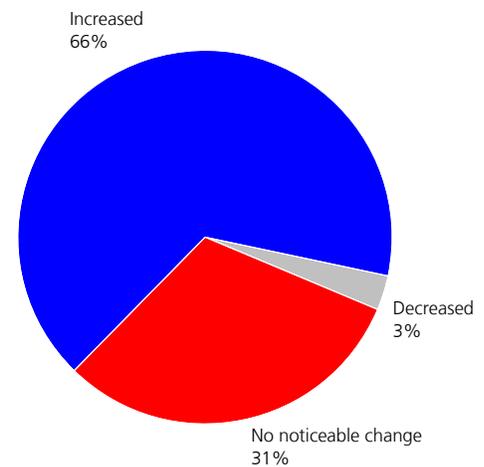
Do you agree or disagree with the statement ‘The CFIA is aware of how regulations impact my business?’



The burden of CFIA regulations has increased in the past few years (see Figure 4). When asked how the overall burden of CFIA regulations has changed in the past three years, 66 per cent of respondents reported an increase, 31 per cent cited no noticeable change, and only three per cent said there had been a decline.

Figure 4:

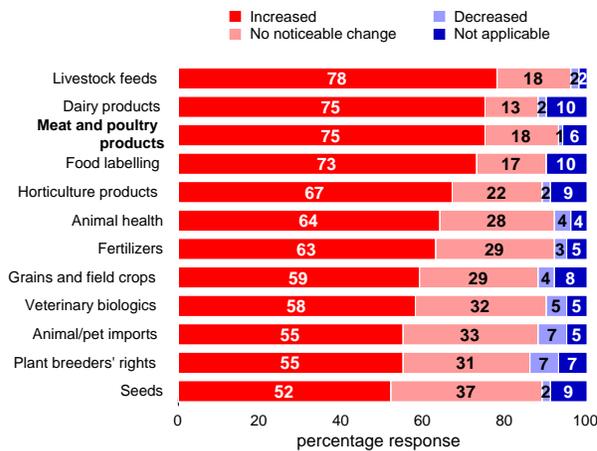
How has the overall burden of CFIA regulations on your business changed during the past three years?



While most areas of CFIA regulatory responsibility have seen an increase in the overall burden, specific sectors reported a greater increase (see Figure 5). Approximately three-quarters of the livestock sector, including the feed industry, dairy products, and meat and poultry products, have experienced the greatest increase. Seventy-three per cent of SMEs that deal with the CFIA’s food labelling regulations also indicated an increase in the burden of regulations.

Figure 5:

Change in regulatory burden based on CFIA areas of responsibility



Note: Not all areas of CFIA regulatory responsibility are displayed due to an insufficient sample size.

These findings can likely be credited to recent events occurring in the livestock industry, including Bovine Spongiform Encephalopathy (BSE) and Avian Flu. Regardless, a very small percentage of businesses in all sectors cited a decrease in the CFIA regulatory burden.

"It is important to understand that because of CFIA regulations and paperwork requirements, it really impedes the level of customer service my business can offer. We cannot continue to work around federal government agency working hours. Customers demand and expect more."

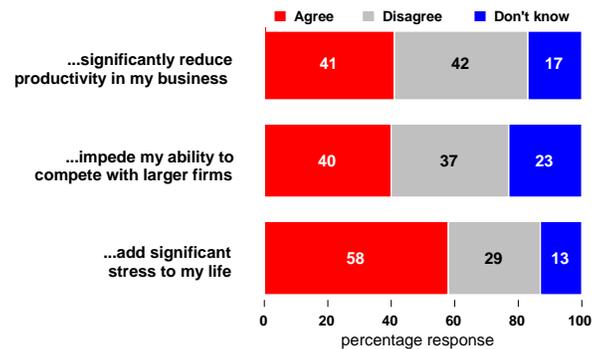
CFIB Member, Nova Scotia

CFIA impact on business

Survey results reveal the CFIA impacts businesses through lost productivity and overall competitiveness. To get a sense of how serious the problem is, consider that 41 per cent of respondents agreed CFIA regulations 'significantly reduce productivity in my business' (see Figure 6). Forty-two per cent disagreed and 17 per cent did not know. Additionally, 40 per cent agreed CFIA regulations 'impede my ability to compete with larger firms.' CFIA regulations also have significant social costs as 58 per cent of businesses indicated CFIA regulations 'add significant stress to my life.'

Figure 6:

Do you agree or disagree that CFIA regulations...



The cost of interacting with the CFIA

As the previous section outlines, the impact of regulations can be examined from several viewpoints, including lost productivity, competitive challenges, or social hardships. The cost of regulations can also be examined using time *or* monetary expenditures.

"My concerns are finding the time and money to implement the various requirements set out by the CFIA. Regulations require either extra staff or longer workdays to implement. There is no return for this added cost."

CFIB Member, Nova Scotia

CFIB asked SMEs to estimate the number of hours they commit per year to comply with CFIA regulations. Table 1 indicates businesses expend a large number of hours every year to interact with the Agency and its regulations. On average, a business spends 231.1 hours per year to comply with CFIA regulations, which includes the time spent filling out forms, working with inspectors, and ensuring their firm complies with all existing regulations. Based upon an 8-hour workday, on average, SMEs spend 29 days a year to comply with CFIA regulations!

Table 1:

SME time expenditures

	Ave. Hours/Year
▶ Hours spent to comply with CFIA regulations ▶	231.1

This is a significant amount of time for a small- or medium-sized business considering the many tasks that must be completed to maintain an operation. It must be remembered the time spent to interact with the Agency is *not* the sum total of time a business spends on government regulation, paperwork, and red tape. Businesses still must meet all other government requirements including GST remittance, income taxes, payroll taxes, and labour legislation.

Another way to evaluate the cost of dealing with regulations is the monetary cost. In a completely separate calculation from the hours noted in Table 1, SMEs were asked to estimate their cash outlays to ensure compliance based on two cost estimates:

1. People resources such as staff salaries, consultant fees, lawyer fees; and
2. Capital expenditures such as new equipment and renovations.

It is important to note CFIB's calculation of the monetary cost of CFIA regulation compliance is conservative. Several other cost factors are not taken into consideration, such as the business owner's time, lost business opportunities, and reduced productivity.

Table 2 indicates the average business spends \$19,014 per year to comply with CFIA regulations. Approximately half of this, \$10,007, is spent on people resources, and the other half, \$9,007, is spent on capital expenditures.

Table 2:

SME monetary expenditures

	<i>Average dollars/year</i>
▶ Professional fees and salary costs	▶ \$10,007
▶ Required spending for special equipment, renovations, etc.	▶ \$9,007
<i>Total monetary cost</i>	<i>\$19,014</i>

Once again, the financial cost associated with Agency interactions is not the total amount of money spent by businesses to be compliant with overall government regulations. This figure simply reflects a conservative estimate of the cost of regulations imposed on a food production business in dealing with only one government agency, the CFIA.

The CFIA has had a greater impact on the 66 per cent of businesses that cited an increase in the CFIA's regulatory burden in the past three years. These businesses reported both higher monetary and time expenditures in order to be compliant with CFIA regulations (see Table 3). Once again, recent events occurring in the livestock industry that have altered regulations may be causing higher expenditures.

Table 3:

Time and monetary costs by SMEs indicating an increase in CFIA regulatory burden

	<i>Time (average hours/year)</i>	<i>Money (average \$/year)</i>
▶ Members citing an increase in regulatory burden	336.6	\$27,457

It is no wonder that CFIB members rank a reduction in the regulatory burden as one of their highest priority concerns and view reducing the burden of red tape on businesses at all levels of government as one of the most cost-effective methods of boosting the profitability of their business.

Service quality measures

As businesses in relevant sectors have little choice but to deal with the CFIA, it is essential the Agency provide high quality service that meets the needs of SMEs.

In terms of overall service, one in five businesses rated the CFIA as 'good,' 19 per cent cited 'poor,' 48 per cent answered 'acceptable,' and the remaining indicated 'not applicable' (see Figure 7).

“Many things about the CFIA are good, however, many of the people at the CFIA have a rotten attitude toward business and they red flag businesses who dare to disagree with them – there is no appeal process of any kind.”

CFIB Member, Ontario

“CFIA tends to be very cooperative with our business and works with us, not against us.”

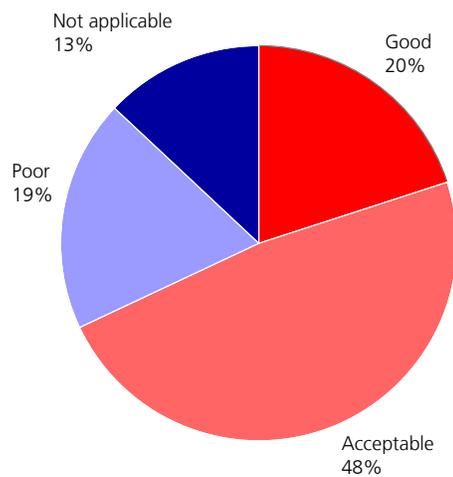
CFIB Member, Manitoba

“Dealing with the CFIA is a hassle. Too many new people, no experience, no common sense, and no sense that we move at the speed of business. Regulation for the sake of regulation.”

CFIB Member, Ontario

Figure 7:

CFIA service quality – overall service



A regional evaluation of the survey data reveals Quebec businesses have the most favourable view of the overall service provided by the CFIA, where 37 per cent indicated ‘good’ overall service levels (see Table 4). The least favourable response rate came from the Western provinces with only 14 per cent of respondents citing ‘good’ overall service levels. One in four Atlantic businesses answered ‘good,’ while 18 per cent of Ontario SMEs indicated a ‘good’ overall level of CFIA service.

Table 4:

Overall service quality – regional results

	Good	Acceptable	Poor	Not Applicable
West	14	53	21	12
Ontario	18	45	22	15
Quebec	37	35	16	12
Atlantic	25	54	11	10

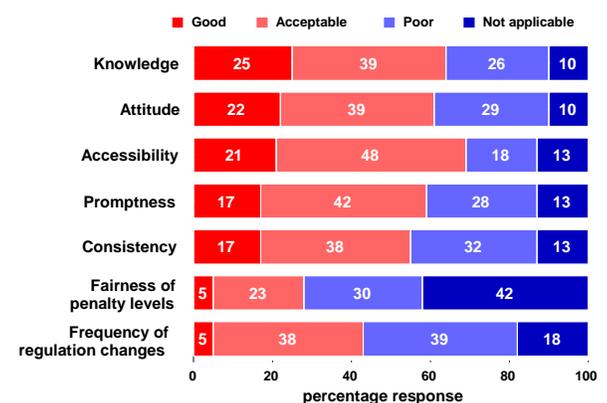
Percentage response.

Rating the CFIA according to a number of specific customer service measures provides greater insight to SMEs’ views of the services provided by the CFIA (see Figure 8).

‘Knowledge,’ ‘attitude,’ and ‘accessibility’ were the three most favourable service aspects of the CFIA. At the other end of the spectrum, ‘frequency of regulation changes’ and ‘fairness of penalty levels’ were viewed as the least favourable service aspects of the CFIA, with only five per cent of respondents citing the service quality as good.

Figure 8:

CFIA service quality measures



It is important to note every service quality measure except ‘accessibility’ received *more poor responses than favourable responses*. The CFIA has considerable room for customer service improvement for its clients.

“There are significantly different interpretations between levels of CFIA management when on/off holiday and new transferee; e.g. differences in a previously approved facility design that required retrofitting.”

CFIB Member, Alberta

“Recently, the CFIA agreed to a protocol for importing grapevines. A few months later, they changed the rules that were agreed to and imposed additional costs unilaterally, with no discussion.”

CFIB Member, Ontario

“There is much inconsistency in the way applications for import permits for plants are handled. The permits can be issued in as little as a few hours or as long as a month. This results in delays and backorders to our customers because we cannot fill orders.”

CFIB Member, Ontario

When results are ranked by ‘poor’ responses, ‘frequency of regulation changes’ (39 per cent), ‘consistency’ (32 per cent), and ‘fairness of penalty levels’ (30 per cent), was cited as the poorest service measures of the CFIA.

Several interesting variations for service quality measures exist among the three top ‘poor’ responses when viewed by CFIA areas of responsibilities (see Table 5). Those businesses that interact with the Agency regarding livestock feeds had the highest percentage of ‘poor’ responses for both ‘frequency of changes’ (48 per cent) and ‘consistency’ (41 per cent). These businesses also had the second highest ‘poor’ rating for ‘fairness of penalty levels’ (42 per cent). Animal/pet import related businesses were the least satisfied with the ‘fairness of penalty levels’ (45 per cent). Food labelling businesses had considerable concern with both ‘frequency of changes’ (47 per cent) and ‘consistency’ (41 per cent).

Table 5:

Top rated ‘poor’ service quality measures by CFIA area of responsibility

CFIA area of responsibility	Frequency of regulation changes	Consistency	Fairness of penalty levels
Animal health	43	34	36
Animal/pet imports	44	36	45
Dairy products	39	26	36
Meat and poultry products	44	37	36
Horticulture products	45	34	29
Food labelling	47	41	32
Livestock feeds	48	41	42
Fertilizers	41	33	39
Grain and field crops	42	31	31
Plant breeders’ rights	42	23	27
Seeds	35	26	33
Veterinary biologics	45	36	41

Note: not all areas of CFIA regulatory responsibility are displayed due to an unsatisfactory sample size.

These results reveal that while the CFIA has considerable room for improvement in all customer services measures, there are specific types of businesses it could work with to enhance its interaction with SMEs.

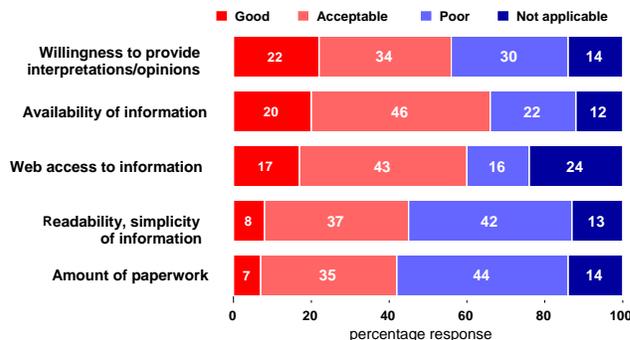
CFIA communication measures

It is imperative that all government bodies recognize the limited amount of time a SME has to dedicate to the large number of tasks they must routinely complete – business owners/employees wear many hats. Therefore, government interaction with business must be conducted in a manner that is timely, clear, and concise.

It is often necessary for a business to communicate with the CFIA to conduct their operations and to be compliant with the law. Survey results reveal businesses feel the Agency has significant room for improvement in its communication processes (see Figure 9).

Figure 9:

CFIA communication quality measures



Less than one in four businesses ranked the CFIA 'good' regarding their 'willingness to provide interpretations/opinions,' while only 20 per cent were satisfied with the 'availability of information.' From a 'poor' performance perspective, 'amount of paperwork' (44 per cent), and 'readability, simplicity of information' (42 per cent) solicited the highest percentage of dissatisfied responses.

A review of dissatisfaction with the 'amount of paperwork' by CFIA area of responsibility reveals more than one in two businesses involved in animal/pet imports (55 per cent), livestock feeds (55 per cent), and food labelling (54 per cent) were concerned. Greater than 50 per cent of respondents were concerned with 'readability, simplicity of information' in both horticulture products (52 per cent) and food labelling areas (53 per cent).

Imported products were destroyed because they arrived three days after a change of ruling. Had that ruling been communicated to us, we could have arranged the shipping a week earlier and saved thousands of dollars."

CFIB Member, Ontario

"Stock inspection for export changed as a result of very strict new regulations that were not communicated to us beforehand. This caused us to redo a lot of work at a large cost. We lost all profit associated with this particular shipment."

CFIB Member, British Columbia

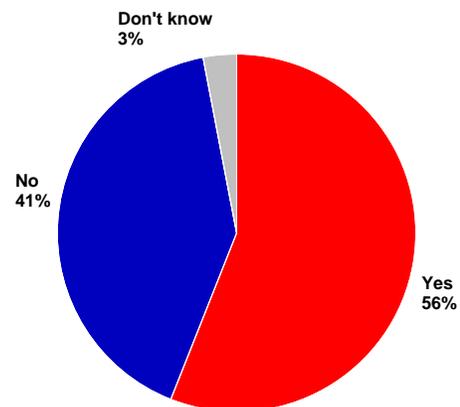
Inspecting the inspector

While there are a variety of reasons to be inspected by the CFIA, essentially the inspection is completed to ensure the business is compliant with pertinent legislation and regulation. Being inspected by the Agency may require a business to commit a substantial amount of time and work to provide the appropriate information. Hence, a CFIA inspection can cost SMEs a considerable amount of resources.

CFIB's survey found that 56 per cent of respondents had been inspected by the CFIA in the past three years (see Figure 10).

Figure 10:

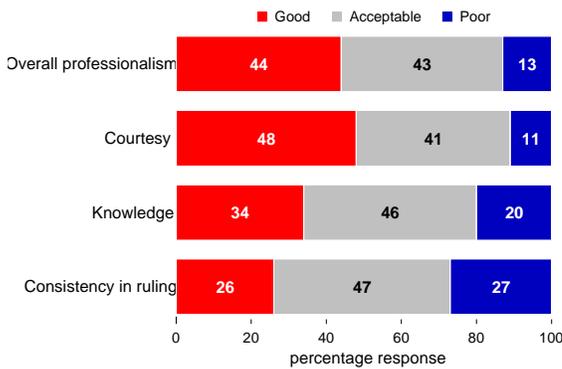
Has your business been inspected by the CFIA in the past three years?



Compared to other aspects of CFIA services, the inspectors received more favourable ratings by those businesses that have been inspected in the past three years. The rating is based on four broad measures of performance – overall professionalism, courtesy, knowledge, and consistency in rulings (see Figure 11).

Figure 11:

CFIA inspectors' performance



Greater than 80 per cent of respondents ranked the inspectors' 'overall professionalism' and level of 'courtesy' as good or acceptable. The 'knowledge' of and 'consistency in ruling' by inspectors received lower marks. While SMEs views were slightly more positive regarding their interactions with CFIA inspectors, *there is still considerable room for improvement.*

"Generally, I like working with the CFIA because we are all looking to accomplish the same end result – food safety. However, I have come across a few extremely rude/obnoxious inspectors, and there is no need for that kind of treatment."

CFIB Member, Nova Scotia

"When we need to have a load inspected to be exported, it is always on a tight schedule as it is live plant material. The inspector is always very accommodating, he understands the industry, and knows about all the challenges."

CFIB Member, Ontario

"Our local CFIA inspector was rude, arrogant, and totally unreasonable. He advised us it was 'not his responsibility to assist us in any way.' CFIA seems to be a ruling body with no one to answer to."

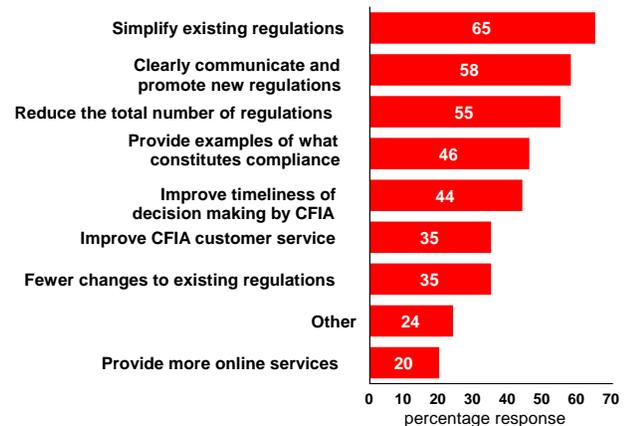
CFIB Member, Ontario

What can the CFIA do?

To help businesses better comply with CFIA regulations, it is clear SMEs feel the Agency needs to significantly improve how it communicates with its clients (see Figure 12). Two out of every three businesses want the CFIA to simplify existing regulations, while 58 per cent believe new regulations need to be clearly communicated and promoted. Also related to communication, 46 per cent of respondents cited providing examples of what constitutes compliance and 44 per cent indicated the CFIA should improve the timeliness of decision-making. Fifty-five per cent of SMEs would like to see a reduction in the total number of regulations to increase compliance.

Figure 12:

What would help your business better comply with CFIA regulations?



"CFIA and its regulations serve as a very useful first line of defense against some very destructive pests and unscrupulous individuals. They are currently overburdened with bureaucracy and short of qualified front line inspectors. Regulations only make sense if they result in positive outcomes for business and the environment. They need to be clear and enforceable."

CFIB Member, Ontario

Conclusion and recommendations

It is clear from CFIB's survey of businesses that interact with the CFIA on a regular basis there is considerable room for improvement. Businesses report the burden of CFIA regulations has increased in the past three years, which reduces their productivity – a concern for all Canadians who want a healthy food production sector in this country.

That productivity is being negatively affected is no surprise given the significant resources businesses are spending to comply with CFIA rules alone: on average \$19,000 every year. Survey results also found a high level of dissatisfaction with customer service, in particular the readability of information and the willingness to provide advice. Other areas of high concern are levels of paperwork, fairness of penalties, consistency of rulings, and frequency of regulatory changes.

While this report focuses on CFIA performance, the general problems identified with excessive red tape are widespread throughout all levels of government. In order to effectively address red tape and paper burden, CFIB recommends a principled approach to regulatory reform, which includes measurement and public reporting. The success of this approach depends on political leadership. Finally, to be ultimately successful, improving the regulatory climate must be seen as an ongoing priority rather than a one-time exercise.

This is the approach that is recommended not only by CFIB but also by the federal Advisory Committee on Paperwork Burden Reduction (ACPBR) in their 2005 progress report, *A Strategy to Reduce Paperwork Burden for Small Businesses in Canada*. The ACPBR is made up of both public and private sector members and the federal government has adopted several of its recommendations. Most significantly, the March 2007 budget speech announced that the business paper burden will be reduced by 20 per cent by November 2008. Thus, the following recommendations for the CFIA could not be timelier.

Recommendations

1. Measure the regulatory burden

Without measurement there can be no true accountability. It is important to remember that the first measure does not have to be perfect (fiscal accounting, for example, has become more sophisticated over time). In addition to measuring the regulatory burden, we strongly recommend developing regular measures of customer service (see Recommendation 7), as access to good, timely advice and other customer service indicators are an integral part of regulatory accountability.

2. Reduce the paper burden by 20 per cent by 2008 as laid out in the 2007 federal budget speech

3. Make regulatory reform a priority for the Minister responsible and all staff

The Minister and senior CFIA staff should regularly communicate that red-tape reduction is a top priority for the Ministry and Agency. Communication should be to both external and, as importantly, internal audiences. Internally, the goal should be to engage all CFIA staff in proactively becoming part of the solution. Staff can be a great resource in identifying opportunities to streamline regulations and eliminate red tape.

4. Commit to annual reviews of the regulatory burden and customer service standards

Paper burden reduction and regulatory reform is not a one-time exercise. CFIA should commit to annual reports that include updated regulation and customer service measures.

5. Conduct a zero-based review of all regulations and associated requirements

As part of meeting the 20 per cent reduction target, CFIA should review all existing regulations and associated requirements to ensure that they are necessary and clear. A zero-based review starts with questioning the

need for every regulation. Any regulations or associated requirements that cannot be defended as necessary should be eliminated.

6. Review all penalties

Of those with an opinion, 53 per cent of businesses identify the fairness of CFIA's penalty levels as a concern. Even accounting for people's general dislike of penalties, this is a high level of dissatisfaction. All penalties should be reviewed.

7. Set customer service standards and regularly report on whether standards are being met

Small- and medium-sized business owners know how critical good customer service is to the survival of their businesses. Arbitrary rules and capricious enforcement sour the relationship between business and government, further threatening compliance. CFIA should work on improving service to business. This includes everything from treating business owners with respect to answering questions in a timely manner. Regulators dealing with small business should be given customer service training with specific emphasis on understanding the importance of small business to the economy and the resource limitations, risks and hardships faced by many trying to operate small business. CFIB's report *Serving Up Better Government: SMEs and Government Customer Service* (2006) contains a number of other important suggestions for improving customer service.

8. Commit to providing written advice

Nothing is more frustrating for a small business owner than receiving conflicting advice from different staff members in the same government agency or department. CFIA should commit to providing advice in writing when requested and should further commit to respecting the advice. Business owners should not be fined or in any other way penalized for following wrong advice from CFIA.

9. Put information commonly used by small business in plain language

Readability and simplicity of CFIA information garners 'poor' ratings from 42 per cent of small businesses. If businesses do not understand what is required of them, compliance suffers. To remedy this, CFIA should work to 'plain language' all information for business. Information that has been put in plain language should be subject to review by actual business owners to ensure that it really is understandable.

10. Engage the private sector

To help accomplish its goals, CFIA should consider forming a committee, composed of CFIA and private sector stakeholders, with a six-month mandate to review how the Agency can reduce the compliance burden imposed on small business. The mandate of the committee would be two fold; first, identify areas where the CFIA administrative framework and policies could be adjusted to ease the burden on small business. Second, determine how the CFIA can make regulatory burden reduction part of an institutionalized process within the Agency.

It is imperative the CFIA review its interactions with SMEs to ensure the burden of compliance with its regulations is reduced. This will not only ensure the safety of Canada's food products, it will also improve the productivity of businesses operating within the food industry. Fundamentally, the security and prosperity of Canada's food supply systems depends on CFIA reform.