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A Team Canada Approach to Tariffs Involves Regulatory Reform

*Blog by Jeff Morrison, President and CEO, National Airlines Council of Canada
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Canada is in the midst of a tariff dispute with the United States, and although no one is certain of the outcome, there's no question that the uncertainty is causing great disruption to many economic sectors in both countries. Canadians are broadly united in their resolve to mitigate the impacts of American measures by strengthening the resiliency of our industries here at home.

In the midst of this crisis, it was unsettling – but perhaps not surprising- to see a new Statistics Canada report come out in early February 2025 which concluded that the regulatory burden on Canadian businesses increased by 37% between 2006 and 2021. StatsCan found that this regulatory accumulation reduced Canada's GDP by 1.7%, and job growth by 1.3%. The study also concluded that growth in regulations reduced business investment by 9%, and that if the volume of regulations had remained the same in 2021 as it had been in 2006, the entry rate of new business start ups in Canada would have been 10% higher.

Even in the best of times, these findings would be worrisome. They suggest that regulatory accumulation is a key driver of Canada's sluggish productivity rates and fading international competitiveness. But at a time when Canada's economy is under unprecedented threat due to tariffs, it is counterproductive for Canadian businesses to also face an internal threat of ever increasing domestic regulatory requirements. As StatsCan makes clear, increasing domestic regulations limits growth, employment, and opportunity.

Canada's airline and aviation sector is a prime example. Aviation is subject to an ever-growing list of regulatory requirements and practices. Many of these, particularly safety regulations, are warranted and strictly adhered to by Canada's airlines. But many other regulations are costly, unnecessary, duplicative, and not reflective of a modern air travel system. For instance, in December 2024, new regulatory proposals to amend the Air Passenger Protection Regulations were released that will add hundreds of millions in new costs to air travel and threaten regional airline service, all while doing nothing to improve air travel performance. As Canadian airlines brace for the impact of a tariff dispute, it simply makes no sense for the federal government to pursue new regulatory burdens that will put the sector at a further competitive disadvantage that would increase costs to consumers while reducing regional service. Similar examples impacting aviation abound.

It's been suggested time after time that Canada needs to take a "Team Canada" approach to addressing the current tariff threat. I fully agree. As StatsCan has demonstrated, a key element



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of a Team Canada approach is regulatory reform. At a minimum, this is certainly not the time to add new regulatory burdens. A true Team Canada approach would involve the federal government reducing red tape and unnecessary costs, and reforming or eliminating regulations that are out of date or unnecessary. By giving Canadian industries such as aviation a better opportunity to succeed, the federal government can put Canadian businesses in a better position to address the current external threat from tariffs, and be in a better long term position to grow, thrive, reduce costs, and provide Canadians with the world class air travel system they deserve.