

Corporate capture of Canada's regulatory state is worse than ever

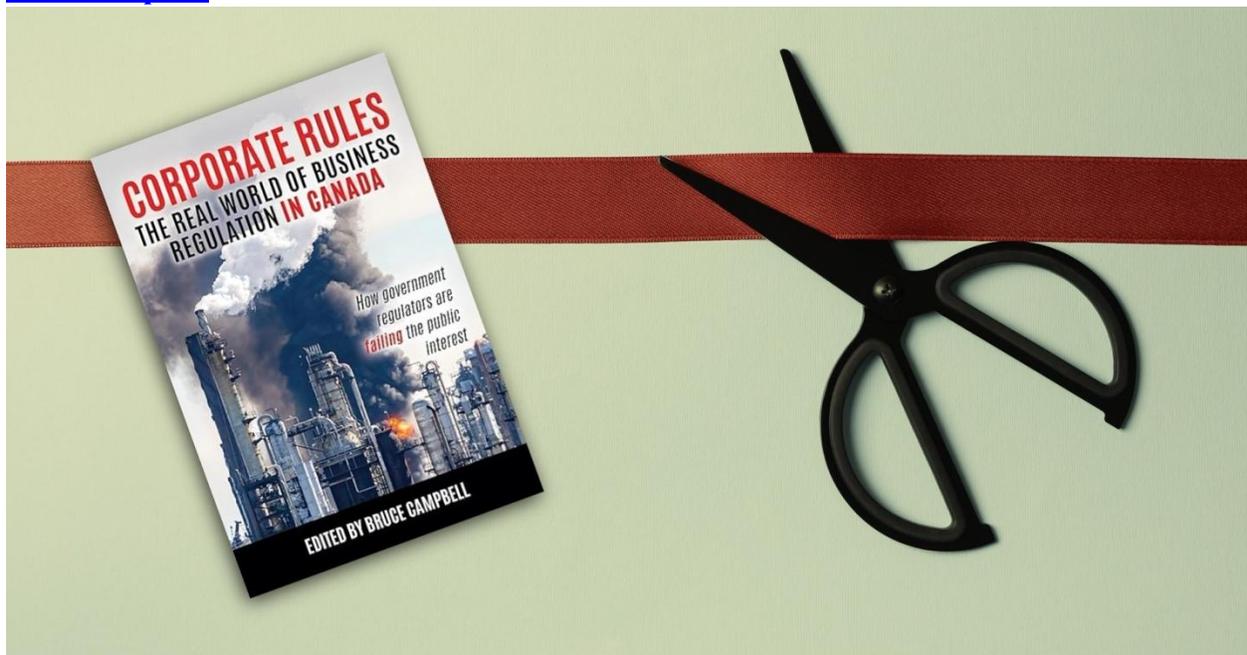
The threat to public safety outlined in "Corporate Rules" continues to grow

<https://www.policyalternatives.ca/news-research/corporate-capture-of-canadas-regulatory-state-is-worse-than-ever/>

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Six years ago, my edited volume, *Corporate Rules: The real world of business regulation in Canada: How government regulators are failing the public interest*, was published. The book sought to unveil how, and in whose interests, the federal government regulates, and its consequences.

What has happened since its publication? While it would be difficult to provide a comprehensive update of the book given the many contributors and sectors analyzed, we

can delve into two sectors: environment and railway transportation. Similar analyses can and should occur in a wide range of sectors.

First, some basics: regulations are the mechanisms which implement government policies and legislation. According to the federal government's "Cabinet Directive on Regulation" [document](#), their primary purpose is to advance the public interest including protecting citizens' health, safety, security, social and economic well-being, and the environment. Their purpose, as stated, is also to support a fair and competitive economy that benefits Canadians and Canadian businesses.

The tension between these goals has compromised the public interest in favour of corporate interest (profits and shareholder value) and those of government enablers. In many cases, corporations themselves are the ones defining priorities and helping to create regulations in their own interest. This relationship is termed [regulatory capture](#).

Key federal policy, legislative, and regulatory initiatives since the book's release

Many Canadians support Prime Minister Carney's management of the Canadian economy and its relationship with the U.S. in these turbulent times. Far fewer understand Carney's position that "[Canada has too much regulation](#) and not enough action," and the federal government's corresponding actions to deregulate the Canadian economy.

In July 2025, the President of the Treasury Board, Shafqat Ali, [announced](#) the launch of a "Red Tape Review" of regulations across federal departments, its purpose to eliminate outdated regulations and reduce duplication with provincial rules.

[If history is any guide](#), "eliminating red tape" (i.e., deregulation) is invariably accompanied by fiscal austerity—including cuts to regulatory agencies, notably staff who propose, monitor, and enforce regulations. Gutting regulatory resources increases pressure to enable private companies corporations to self-regulate compromising public safety, at times with catastrophic consequences, such as the [Lac-Mégantic rail. disaster](#).

The corporate co-optation of regulatory agencies over the last four decades was characterized by author John Ralston Saul as a "corporate coup d'état in slow motion"

The Red Tape Review is consistent with the Carney government's [Building Canada Act](#) (Bill C-5), the so-called *One Canadian Economy Act* which gives the [cabinet unilateral power](#) to prioritize and fast track projects without scientific review, including scrapping regulations it views as red tape.

Proponents of red tape reduction [claim](#), without evidence, that reducing the so-called regulatory burdens are not about eliminating protections for health, safety, and the

environment. Rather it is about “smarter regulation,” ensuring rules are up to date, proportionate, and designed with competitiveness in mind.

We’ve heard this story before.

A Red Tape Review [progress report](#) identified nearly 500 measures to reduce alleged administrative burdens for businesses and workers. A [Red Tape Reduction Office](#) has been created to oversee their implementation.

Long-time problems with Canada’s regulatory regime remain. Its whistleblower protections and access to information laws are among the weakest in the world, further hindering public oversight and enforcement of regulations. The Federal Information Commissioner recently [excoriated](#) the government about the dismal state of access to information. None of these real problems are considered “red tape” in need of cutting—rather, the deregulation is likely to make them worse.

Budget 2025

The 2025 federal budget, unveiled in November, outlines plans to reduce federal spending by \$60 billion over the next five years—eliminating an estimated 40,000 positions in the public service by 2028-29, roughly 10 per cent of the total workforce. This will undoubtedly include more cuts to regulatory agencies.

[The Budget Implementation Act \(Bill C-15\)](#), it should be noted, does not become law until passed by Parliament. If opposition parties unite to vote it down, the failed legislation would trigger an election, but this is highly unlikely.

The Act gives Ministers power to exempt any individual or company from any federal law or regulation— except for the Criminal Code — for up to six years. [This provision](#) means that corporations would be able to ignore laws and regulations so long as they have at least one minister in agreement. This would be a blatant violation of the democratic responsibility of parliament to determine laws and regulations.

Edgar Schmidt, former General Counsel in the Department of Justice, wrote in *Corporate Rules*: the DOJ “sees the preferences and political interests of ministers as higher priorities than the decisions passed by parliament.” Under this legislation, Cabinet is further sidelining Parliament.

Environmental Regulations

[Canada’s Nationally Determined Contributions](#) (NDC) represent its commitment under the Paris Agreement to reduce CO2 emissions 40 to 45 per cent below 2005 levels by 2030, and by 45 to 50 per cent below 2005 levels by 2035. According to the latest [report](#) of Canada’s Commissioner of the Environment and Sustainable Development, emissions have been reduced by only 8.5 per cent since 2005.

Oil and gas industry production is Canada's largest source of greenhouse gas emissions, accounting for one third of Canada's emissions. Its [planned increase in oil production](#) by 2030, ranks behind only Saudi Arabia's planned production growth in the same period.

Canadian banks are among the largest financiers of fossil fuels globally. The federal government has thus far [not aligned Canada's financial institutions](#) with Canada's climate commitments.

So, what has the Carney government done to fulfil its role in fighting the climate threat to the planet?

The [Memorandum of Understanding with Alberta](#) agreed to a pathway toward a new bitumen pipeline to the Northern B.C. coast and suspended the Clean Electricity Regulations.

The Canadian Environmental Law Association [warns](#) that the *Build Canada Act* could fast-track environmentally risky mega-projects across the country while undermining federal laws designed to safeguard the environment, human health, and Indigenous rights.

Budget 2025 formally abandons the [oil and gas sector emissions cap](#). It commits to weakening federal anti-greenwashing legislation that prevents oil and gas companies from lying about their environmental impacts.

It cuts at least \$3 billion in climate-related federal spending including a home energy efficiency retrofitting program, the Net-Zero Accelerator program for clean technology, funding for public transit and the government's promise to plant two billion trees.

Both the [carbon capture tax credit](#) and a tax break for [liquefied natural gas](#) (LNG) facilities were expanded at an additional cost of \$325 million over the next five years.

The government commits to strengthening the industrial carbon pricing system but provides no concrete details. Finalized regulations to reduce methane emissions are delayed indefinitely. And the long-awaited sustainable finance taxonomy, which would clarify the investment categories that are considered "green," is also delayed.

The government's [first five "nation-building" projects](#) under review by its Major Projects Office include the doubling of production of a liquified natural gas facility in Kitimat, B.C. As Hadrian Mertins-Kirkwood [writes](#), The budget "represents a dramatic abdication of environmental leadership and a troubling step backward for climate action in Canada."

[Recalibrating Climate Risks](#), a report by Carbon Tracker Initiative, concluded that assessments of climate risks by Canadian corporations, financial institutions, and governments— their regulations and actions—are dangerously out of touch with the catastrophic consequences of planetary heating.

Railway Transportation

Under company pressure, Transport Canada still has not mandated modern braking systems on trains— electronically controlled pneumatic (ECP) brakes. Nor has it implemented a system to remotely stop unintended train movement, a system known as positive train control.

The Transportation Safety Board (TSB) Watchlist, created to highlight “those issues posing the greatest safety risks to Canada’s transportation system.” warned in its [Watchlist 2025](#) that the following risks still not dealt with by Transport Canada include:

- Railway companies continue to resist installing effective fatigue management practices for workers in accordance with science.
- They have not mandated physical fail-safe defences that can intervene to slow or stop a train when signals are missed increasing the risk of collisions and derailments.
- Transport Canada’s surveillance has not always been effective in detecting non-compliance or ensuring timely corrective action.

The fox watching the henhouse

As Linda McQuaig [writes](#), Carney’s deregulation mindset is reinforced by his deep connections with the corporate establishment, and so we are not likely to see this agenda slowing down in the near future.

Corporate Rules is as relevant, if not more so, today. The effectiveness of regulations, of regulatory oversight, compliance, and enforcement, have continued to deteriorate. Corporate capture of regulations has strengthened. Profit is taking even greater priority over safety. The present reality is akin to the fox overseeing the henhouse with fewer safeguards in place to guard the fox.

If Canada is serious about restructuring its economy in the face of threats from the U.S. and global instability, we need to take control of our own regulatory apparatus. Otherwise, the risk of disaster on the horizon looms larger.