



AIMS in the Media – Federal Election 2004

Throughout the 2004 federal election campaign the Atlantic Institute for Market Studies has been the “go to” source in Atlantic Canada to provide topical analysis.

Journalists often turn first to AIMS for informed comment and assistance in providing context on a wide range of issues including employment, regional development, equalization and health care.

To provide regular AIMS readers with a better picture of the scope of AIMS’ influence in these policy areas, we have compiled a page containing a selection of articles gleaned from the local, regional and national press.

We will be updating this page as more material becomes available.

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The Saint John Telegraph-Journal

Opinion/Editorial, Saturday, June 12, 2004

Lisa Hrabluk

'Old way' of thinking: people deserve better

LISA HRABLUK New Brunswick Beat

New Brunswick deserves a new deal from Ottawa. But first it needs federal politicians to change their attitudes and improve their understanding of the province, neither of which has happened all that much during this election campaign.

Change may be the theme voters are chanting, but politicians, many of them caught up in close poll-by-poll races are playing it safe - at least in Atlantic Canada - where they are delivering promises that may earn them votes on June 28 but have the potential to create problems.

Prime Minister Paul Martin likes to say he understands this region. Certainly his commitment to renew the \$300-million Atlantic Innovation Fund, which provides matching research money to post-secondary institutions, is welcome news in a province that lags behind the rest of the country in overall R&D investment.

That's a political decision that will help New Brunswick evolve and which recognizes that this province, along with the rest of the region, wants to change. Which is why the Liberals' pre-election announcement about changes to the Employment Insurance system is so disappointing.

In late May federal Human Resources Minister Joe Volpe announced \$270 million in changes to the EI program. Central to that is a two-year pilot project that, among other things, will add five additional weeks of benefits in areas with an unemployment rate of at least 10 per cent. The announcement is aimed at one group of people, seasonal workers who oftentimes face a gap between when their EI runs out and their seasonal work begins.

Liberal MPs, such as Dominic LeBlanc of Beauséjour, who represent ridings with seasonal workers have long lobbied for changes and Mr. LeBlanc sits on a task force examining the EI system.

Others have argued for change too, such as the **Atlantic Institute for Market Studies**, a business-friendly think tank that used to count Peter Nicholson, a senior advisor to Mr. Martin, as one of its members. But somewhere between AIM's head office in Halifax and Ottawa, Mr. Nicholson's message of reform got lost.

Rather than change the system, the Liberals chose to just tinker. In plugging the gap for seasonal workers, the Liberals missed an opportunity to help the Atlantic Canadian economy, which is facing a labour shortage at the same time it continues to battle high unemployment rates.

As long as EI continues to enable people to stay home rather than encouraging them out the door (or even down the road) to look for work, the program will do more harm than help to New Brunswick's economy.

This is an old way of looking at New Brunswick and the rest of Atlantic Canada and the region deserves better from its politicians.

No doubt both Mr. Martin and Conservative Leader Stephen Harper think they're embracing the new Atlantic Canada when they both promised to reopen the convoluted equalization program. Both leaders, along with NDP leader Jack Layton have promised to let Nova Scotia and Newfoundland and Labrador keep royalties from offshore oil and gas products.

Currently, the federal government takes about 70 cents of every dollar of offshore royalties. For instance, last year the Hibernia and Terra Nova fields produced \$4.9 billion and Newfoundland received \$123.8 million in royalties.

Last week Newfoundland and Labrador Premier Danny Williams told provincial voters that they should withhold their support from any party that wouldn't give the province its full share of

royalties. The threat worked and the Liberals, Conservatives and NDP have all pledged to renegotiate the equalization formula and eliminate the offshore revenues clawback.

Great news for Nova Scotia and Newfoundland but it does nothing for New Brunswick and PEI, the two Atlantic provinces that don't have offshore oil and gas.

If equalization is renegotiated as Nova Scotia's and Newfoundland's premiers are demanding, it could create inequity within the region. Why allow two of the four Atlantic Canadian provinces to exempt part of their revenues from equalization? Both provinces would still be entitled to equalization but their payments would be based on provincial revenues on everything but oil and gas, the largest driver of these province's economies.

It would be like removing forestry revenues for New Brunswick or passing a law that personal income taxes would only be charged on 70 per cent of the annual salary of a certain group of people.

Better to have promised to reconsider the entire equalization program than to cherry-pick.

Now, regardless of who wins on June 28, the federal and provincial governments will have to retool the equalization formula.

Somehow they will have to figure out how to give Nova Scotia and Newfoundland its offshore revenues while tweaking it just enough to ensure non-oil and gas provinces, such as New Brunswick and Quebec, aren't unintentionally harmed.

Voters are right to demand change. Let's just make sure its change that works for all of us.

The Chronicle-Herald

Nova Scotia, Friday, June 11, 2004

N.S. sure to win on offshore - Hamm; Premier likes equalization policies offered by all major political parties

Amy Smith; Stephen Maher
Staff Reporters

Premier John Hamm says no matter which party wins on June 28, Nova Scotia's offshore revenues will improve.

"There's no scenario put forward by the three major parties that makes Nova Scotia anything other than a winner," Mr. Hamm said Thursday in Halifax.

Prime Minister Paul Martin agreed last week to a proposal by Newfoundland Premier Danny Williams to end the clawback on provincial offshore revenue.

That would mean that this year, Nova Scotia would get to keep \$14 million in royalties that Ottawa would otherwise have held back in equalization payments.

Conservative Leader Stephen Harper and NDP Leader Jack Layton both promised in May to end the clawback.

Mr. Williams's proposal leaves the equalization formula as it is. Ottawa would cut a cheque to Newfoundland and Nova Scotia every year to pay back the clawback.

The Conservative and NDP plans would move equalization to a 10-province standard and remove revenue from non-renewable resources - such as petroleum - from the formula.

As it stands now, five provinces are considered in the complex equalization formula, and revenue from non-renewable resources is treated the same as any other revenue.

The NDP and Conservative plans would bring Alberta into the formula, without taking into account its oil and gas resources.

As a result, oil-rich Alberta would be considered a have-not province, says Geoff Regan, Nova Scotia's cabinet minister.

"Where (Mr. Harper) is from ends up a major beneficiary," Mr. Regan said.

He said before endorsing Mr. Harper's plans, the premier should "make sure Alberta's gains are not at Nova Scotia's expense."

A 2001 study for the Atlantic Institute for Market Studies said moving to a 10-province standard with all non-renewable resource revenues taken out of the calculation would have cost Quebec \$463 million in 2000, with New Brunswick, Manitoba and P.E.I. losing smaller amounts, and Nova Scotia losing \$62 million.

An analysis this week - based on the most recent estimates for 2003-04 - shows that British Columbia would be the biggest winner, getting \$1.2 billion more from Ottawa in equalization. Saskatchewan would be \$900 million to the good, and Newfoundland would gain \$180 million.

All the other provinces would lose, but Mr. Harper has said that Ottawa would make up the difference, which means the effect on other provinces would be zero.

However, if Nova Scotia's offshore revenues eventually go up significantly, the proposed change could mean a significant gain for the provincial budget.

When Mr. Martin was in Halifax last week, he told The Chronicle-Herald that Mr. Harper's proposal would cause all kinds of problems with other provinces, and it wouldn't help Nova Scotia.

"The net result, because all of a sudden Alberta's oil and gas would not be included, all non-renewables would not be included, (is that) it would actually cost Nova Scotia money," he said.

Mr. Hamm said his government is doing its own analysis but said ending the clawback of 70 per cent of offshore royalties will mean an upfront gain.

"It would be an immediate direct infusion of cash to Nova Scotia that today is going to Ottawa," the premier said.

Mr. Hamm said he supports a 10-province equalization standard with non-renewable resources excluded.

"That will benefit us because we have offshore resources," the premier said.

The Saint John Telegraph-Journal

Wednesday, June 9, 2004

Fate of ACOA on line as politicians disagree on usefulness

BY RICHARD ROIK

OTTAWA - Editor's note: This is the third in a series of 10 stories highlighting issues significant to New Brunswickers in the 2004 federal election.

When Germain Quevillon decided to launch his own sheet-metal fabrication company in Bristol, N.B., he did what most wide-eyed entrepreneurs do. He went to his local bank for a commercial loan.

"They told me I didn't have any assets. I just had a pickup truck, and it was a used pickup truck," the 50-year-old tinsmith remembers of how he was only offered a \$20,000 overdraft on his bank account.

"They said, 'Sorry, we can't do anything more for you.' "

That's when he turned to the Moncton-based Atlantic Canada Opportunities Agency and secured a loan for up to \$21,850 to buy equipment for his new business. With an additional \$10,000 loan guarantee from a provincial program, he purchased materials to start fashioning ventilation duct work.

Three years later, Mr. Quevillon has a \$140,000-a-year business that also provides some work for subcontractors and part-time help.

"ACOA was very important in helping to get me started, for sure," Mr. Quevillon says in a telephone interview. "I was running out of options."

There's a similar story - on an even grander scale - in Edmundston, where the Pattison Sign Group used a \$500,000 ACOA loan to help finance a \$5-million expansion completed in the fall of 2001.

The result was 155 new jobs for a company that now boasts 385 permanent employees.

"This expansion was a great success," says Don Belanger, the company's vice-president and general manager for the eastern region. "We're exporting to the United States and doing very well."

Such are the highlights ACOA can point to when the agency talks about the value of its \$130-million-a-year Business Development Program and the need to support regional economic development.

"We have to prove, basically, that businesses can survive here, and then you'll see other people coming in on the private side, investing their dollars," ACOA Minister Joe McGuire says in claiming the agency has a 92-per-cent success rate with the more than 900 companies the Business Development Program helps each year.

ACOA's future, however, has rarely been more uncertain in its 17-year history than in this federal election that has thrust regional economic development to the forefront. A growing range of critics argues the time has come to rethink how Ottawa helps Atlantic Canada catch up to the national economy.

"Despite all that ACOA has done, the results haven't been much better for the region," John Crosbie, a former Tory ACOA minister, says from his St. John's law office.

"It seems obvious to me that it's time for a complete review of what ACOA has been doing with reference to assisting businesses," he adds.

Even former New Brunswick Liberal premier Frank McKenna has raised a few eyebrows on the campaign trail by suggesting ACOA scale back the \$440 million in program spending it oversaw last year.

He recommends the agency instead focus on innovation to complement his proposal for an investment tax credit that would attract high-end research to the region.

"People from around the world would look at Atlantic Canada as being a very, very special place to invest," Mr. McKenna said while rallying Grits in Hampton.

His comments have been reverberating ever since with Conservatives who accuse ACOA of becoming a patronage fund for building "bocce courts and hockey rinks in Liberal-held ridings." A recent study by the right-wing C.D. Howe Institute found that federal spending on economic development in Atlantic Canada spikes just before an election and flows disproportionately to government-held ridings.

"Both (Progressive) Conservative and Liberal governments spent the money to reward their supporters," says Michael Smart, a University of Toronto economics professor who co-authored the paper.

Mr. McGuire dismisses the allegations of patronage as "absolutely false," adding that if politics played any role in ACOA's decision-making process he wouldn't have so many unfunded projects in his riding.

"I couldn't care less what a person's politics is when they come in with a business idea," Mr. McGuire says.

"We never ask, 'What's your politics?'"

"We look at their business plans."

Camille Landry, the president of C.L. Decor Ltd., says his political leanings never came up in 2000 when he secured an ACOA loan for almost \$138,000 to expand his Saint-Francois-de-Madawaska company's production of hardwood kitchen accessories.

"I've tried to keep my company (politically) neutral," adds Mr. Landry, who has voted for both the Tories and the Liberals.

But his company's troubles since landing the federal money are precisely why ACOA's critics say the agency should get out of the business of trying to pick winners and losers.

The bottom fell out on C.L. Decor just months after its loan was made public along with a promise to add eight employees over the next five years.

Mr. Landry says his company's troubles started when it admitted to its biggest customer that it couldn't double its weekly production of 400 knife blocks, prompting the client to take all of its business to a former Chinese supplier that was back on its feet after a fire.

Since then, C.L. Decor has had to lay off a couple of employees and asked for a one-year break on repaying the ACOA loan - although Mr. Landry says his company's fortunes started turning around earlier this year and its future looks brighter with a new customer in England.

"I'm still positive the economy will come back and we will climb up this hill," Mr. Landry says.

"Maybe in the next five years we will hire those eight new employees," he adds.

Maybe. But some critics say the solution is to scrap ACOA and use its annual budget to finance tax cuts in the region.

"Priority No. 1, if we want to develop the economy, is to get the costs right," says Brian Lee Crowley, president of the Atlantic Institute for Market Studies, a Halifax-based right-wing think-tank.

"There is no place in the world where, in my view, government spending can overcome the problem that it is too expensive to work in the local economy, and that there are other places more attractive for people to spend their money," Mr. Crowley adds.

While he readily concedes that spending hundreds of millions of federal dollars in the region will inevitably produce success stories and create jobs, he says the real question is whether there are more effective ways to use the money.

That's why, he claims, the "low-tax strategy" has become the dominant model for economic development in almost every jurisdiction but Atlantic Canada.

"I just think it's wrong in principle to take money (in the form of taxes) from people who are successful in business, and give it to (bureaucrats) who don't know anything about business and ask them to pick winners," Mr. Crowley says.

ACOA's defenders counter, however, that such an approach would be disastrous for a region that lacks the resources to offer incentives similar to what the wealthier provinces can use to attract businesses.

Infrastructure Minister Andy Scott, who is seeking re-election in Fredericton, adds that Atlantic universities and other local research centres are missing out on millions of federal research dollars because they don't have access to necessary matching funds.

"If we want to even break even in the knowledge economy we have to get significant investment from the Government of Canada," Mr. Scott says in an interview.

The Liberal platform, consequently, calls for Ottawa to spend at least \$700 million over the next five years promoting research, innovation, skills training and modern communications such as broadband.

"It's transformational change," Mr. Scott declares.

John Herron, a two-term Tory MP who is now running for the Liberals in Fundy rather than joining the new Conservative party, says Ottawa has a role to play in investing in strategic new infrastructure such as redeveloping the Saint John waterfront or completing the Fundy Trail that would create wealth in the region.

He adds that the Conservative promise to cut taxes and cancel the strategic infrastructure fund would just pass the financial burden onto municipalities, which would either have to raise their own property taxes to fund costly capital projects or scrap replacing such things as aging sewer and water systems.

But Conservatives counter that politics has distorted the region's marketplace - although Greg Thompson, the party's ACOA critic, readily acknowledges the need for government action to increase access to venture capital in Atlantic Canada.

"One of the problems is that ACOA squeezes out the private sector," says Mr. Thompson, who is running again in the redistributed riding of St. Croix-Belleisle.

"It's forcing out some of the institutions that would otherwise be there in the private sector."

Gus Hargrove, a 52-year-old professional engineer in Bath, confirms he opted for a \$292,500 loan from ACOA because the seven-year, interest-free terms were better than what his bank was offering to launch his Canadian Organic Maple Company in 2001. But he adds that the bank was reluctant to jump aboard until his business plan had been vetted by ACOA.

"We used (the ACOA loan) as leverage," Mr. Hargrove says in noting he and his wife Sandra didn't know anything about the maple business.

"I don't think we could have started this business without ACOA's participation," he adds of his company, which now employs the equivalent of nine full-time workers.

But Conservative Leader Stephen Harper insists the proper way to create jobs is by turning off the taps to what he calls \$4 billion in annual "corporate welfare" spending by Ottawa and to use the savings to provide tax relief for business.

He adds that while he would keep regional development agencies like ACOA, they would refocus their efforts on developing sound policy ideas, creating network opportunities for regional businesses, and encouraging the growth of innovation clusters.

"The new Conservative Party will take a different approach to economic growth than the Liberals," Mr. Harper says.

"First, we believe in low-tax solutions, not high spending solutions," he adds.

"I think we need to create a lower tax regime and that will create more jobs over time."

The Moncton Times and Transcript

Opinion/Editorial, Wednesday, June 9, 2004

Conservatives tight-lipped about party policies

Campbell Morrison Ottawa Insider

OTTAWA - As the Conservative party coasts to a possible electoral victory, the party is increasingly tight-lipped about its policies.

It is refusing, for example, to offer an interview for possible changes to the Employment Insurance program, one of Ottawa's most important social programs that has been a frequent target for the Reform-Alliance.

The new party's official policy is to lower premiums so that the cost of running the program is equal to the amount collected in the payroll taxes. It is enshrined in the party platform released on the weekend.

But whether the party also wants to make other changes to the program is unknown. Questions are referred to Brian Pallister, the party's Human Resources critic and vice-chairman of the Commons Human Resources Committee, but he is refusing to grant an interview. His staff said he is busy campaigning in various parts of his rural Manitoba riding Portage-Lisgar.

One can only conclude that he either does not wish to answer questions or does not even know the answers.

It is probably a bit of both.

The merged Conservative party does not know itself, and so policy positions other than the banal are extremely difficult, even in the midst of an election campaign.

The Progressive Conservative and the Reform-Alliance parties held quite different views on employment insurance, and the difference remains unresolved, which explains Pallister's unusual silence. The difference was never clearer than in 2000 when the then newly-elected Liberal government introduced bill C-2, an election campaign promise to eliminate the clause that lowered benefits for repeat users, otherwise known as seasonal workers. The Alliance was unanimous in its opposition, while the Progressive Conservatives were unanimous in support. During debate on C-2, Saint John PC MP Elsie Wayne, in her usual emotive way, appealed to the Alliance members. "I can't believe someone out west would say that people in the Maritimes are sitting with their hands out, that we are lazy and that we do not want to work."

The Reform-Alliance perspective is ideological at heart, and much of it comes from the Atlantic Institute on Market Studies (AIMS), a Halifax-based think-tank. It holds that the Employment Insurance program is itself the problem.

AIMS President Brian Lee Crowley has concluded that major reforms to the program made in 1971 changed behaviour in the labour market on the East Coast and has in fact suppressed economic development and discouraged higher education. People are being paid not to work. It has the perverse effect of inflating wages and leaving jobs vacant even as the region "suffers" from a high unemployment rate.

Make the program less generous, AIMS concludes, and the local economy will improve.

The Reform-Alliance accepted the ideological treatment, and opposed every reform made by the Liberal government over the past decade as too little. More cuts were required than those the Liberals made in 1996, and subsequent amendments were too generous.

Meanwhile the smaller PC party remained largely silent. Not smitten by ideology, the party generally accepted the Liberal status quo. They know too well that cutting EI is political suicide, hitting seasonal industries in rural settings hardest, the very people who have few employment options. The Red Tory perspective is to consider the impact of ideology before implementing it. Now both streams are together in the merged party, and they are obviously frozen, unable to say much of anything other than the premium cut they both agree on and a few banal comments about the best social program being a job.

Alternatively, the Liberals and the New Democrats have more detailed proposals.

The NDP has the most detailed proposal, reflecting its little chance of actually forming a government. True to its roots, the NDP would make it much more generous, rolling back the Liberal changes of the last decade.

The Liberals are in between. The party recently announced a \$300-million contribution to cover off the "black hole" for seasonal workers whose benefits expire before the next season begins, and it hinted that further changes are in the works that would benefit seasonal fish plant workers. The final position of the "new" Conservative party largely depends on the outcome of the election when the actual membership and standing of the party will be known. An opposition party stuck in western Canada will probably remain true to ideology, while a Conservative government with members in all parts of the country will probably drop the ideology. Either way, making the program more generous is certainly not in the cards.

The Chronicle-Herald

Opinion, Wednesday, June 9, 2004

By Bob Howse

Here comes Santy Claws

PAUL MARTIN on the trail in St. John's had a St. Paul-on-the-road-to- Damascus moment on the weekend.

Martin left Halifax, Friday, without making a peep about sheltering Nova Scotia's offshore revenues from equalization clawback, which currently leaves us with about 19 cents on the offshore dollar.

Questioned on a clawback fix later in the day by The Chronicle Herald's Stephen Maher, Martin was fuzzy and underwhelming.

He said Conservative Leader Stephen Harper's solution - to remove non-renewable resource revenues from equalization - would "gut" equalization and even cost us money.

But his own fix was as clear as drilling mud. He saw the unfairness and would support "substantial increases in funding" to Nova Scotia and Newfoundland. But he wouldn't change equalization.

Come Saturday morning, he was a different man. Martin had converted to Santy Claws on steroids, at least as far Newfoundland goes.

At a hasty news conference, Martin said he will rewrite Newfoundland's offshore accord to ensure the province is the "primary beneficiary" of offshore resources.

Natural Resources Minister John Efford, a Newfoundlander, was told to work out the details with Premier Danny Williams. With his trademark restraint, Williams didn't require further work to proclaim his version of the details.

Martin, he said, had accepted Newfoundland's proposal to keep 100 per cent of oil and gas revenues. This would yield \$700 million over four years.

Whether this is exactly what Martin meant when he said Williams' proposal was "a basis for agreement" hardly matters now. Williams quickly defined the hook on which he snagged a vulnerable Martin and will not easily let his prize catch wriggle off.

Williams, indeed, played his fish brilliantly. As the Liberals continued a long slide in the polls, the premier cast any semblance of subtlety overboard and made his own claws perfectly clear. If the Liberals won't fix the clawback, he told Newfoundlanders on Thursday, don't vote Liberal. And there, I would say, was the basis for rapid conversion.

It was also the basis for major embarrassment in Nova Scotia. The Newfie coup left Nova Scotians looking snubbed and Fisheries Minister Geoff Regan, running for re-election in Halifax West, looking like a piker next to Williams.

Regan seemed as stunned as Martin by Williams' ambush. His initial reaction amounted to a feeble I'll-have-what-he's-having. It took until Monday for Regan to manage an actual pledge that Martin will do a similar deal for Nova Scotia.

But Premier John Hamm wants that in writing.

That's probably a good idea, though I'd be surprised if anything the PMO commits to paper is as clearly bankable as the Danny Millions synopsis.

In fact, our offshore accord already explicitly says we are to be the primary beneficiaries of the resources. And Martin has said in the past that the provinces are the primary beneficiaries. So, literally, he was promising Saturday to change a deal to do what he used to say it already did. What do we want it to do? Rob Batherson, deputy director of communications for Premier Hamm, told me Tuesday the province's goal is still to keep 100 per cent of offshore revenue until Nova Scotia is a have province.

The government doesn't care, he says, whether the remedy is outside equalization, as Martin wants, or within in it, as Harper proposes.

Harper's fix is "just as good," says Batherson.

Harper's fix has one snag, though. That's the cost of compensating provinces whose equalization would fall, at least in the short run, if equalization were based on a 10-province average with all non-renewable resource revenues (for example, Alberta's as well as ours) taken out of the formula.

This wouldn't be cheap. A 2001 study by Ken Boessenkool for the Atlantic Institute for Market Studies (AIMS), which favoured removing non-renewable resource rents, found the change would have cost Quebec \$463 million in 2000, with New Brunswick, Manitoba and P.E.I. losing smaller amounts and Nova Scotia losing \$62 million. The big winner would be Saskatchewan. A recent study by Tom Courchene of Queen's University found Saskatchewan's oil revenues are being clawed back, grotesquely, by as much as 125 per cent.

For Nova Scotia and Newfoundland, sheltering offshore revenue from clawback would quickly outweigh the lowering of the equalization standard. And equalization would climb back over time for other provinces as well.

But politically, Harper had to promise transition payments for any reductions caused by the change. And he has.

As for what Martin has promised, Danny Williams knows. But I suspect that no one else yet has a clue.

The Telegram (St. John's)

The Western Star (Corner Brook)

Regional/Provincial, Saturday, May 29, 2004

Nflders. more financially dependent on government

Eric Beauchesne, CanWest News Service

OTTAWA - Newfoundlanders are far more financially dependent on government transfers than the residents of any other province, getting \$33.18 for every \$100 they earn working, according to new Statistics Canada figures.

In contrast, Albertans, who get \$10.95 in government transfers for every \$100 in earned income have the lowest provincial "economic dependency ratio" and Calgarians, at only \$8 for every \$100, the lowest of any major municipality.

Nationally, the "economic dependency ratio" in 2002, the latest year for which there are figures, was \$16.09, a ratio that has been declining every year since 1993, [Statistics Canada said in a report this week.](#)

The report is the second in as many weeks, revealing that Atlantic Canadians, especially Newfoundlanders, remain much more dependent on government than other Canadians.

In fact, thanks to transfers such as employment insurance, Newfoundlanders, along with the residents of Prince Edward Island, had more disposable income after paying their taxes than before, according to last week's report.

In contrast, Canadians in all the other provinces had less money to spend after taxes and transfers, and on average nearly \$6,000 less.

The reports follow pre-election attacks on the leaders of the two main parties for comments viewed as critical of the dependency of Atlantic Canadians on government. The Liberals last week launched an ad highlighting Conservative leader Stephen Harper's comment about a "culture of defeatism" in the region, while the Conservatives countered with a website showing Liberal Prime Minister Paul Martin once said Atlantic Canada has a "legacy of dependency."

However, the head of an Atlantic Canada economic think tank says that while it may be politically incorrect to say so, there is a culture of dependency in the region.

And, it's being reinforced by misguided government policies, such as the pre-election decision by the federal Liberal government to make it easier for seasonal workers to obtain EI, said Brian Lee Crowley, president of the Atlantic Institute for Market Studies, a small-c conservative think tank based in Halifax.

"Atlantic Canada is a victim to a very perverse set of institutions and programs, especially employment insurance, which has trapped a lot of people, especially in rural communities in a cycle of seasonal work and employment insurance," Crowley said Wednesday.

The solutions, according to Crowley, include limiting EI to workers with at least two years of work experience, forcing employers who frequently lay off workers to pay higher premiums, and over a period of five to 10 years slowly weaning seasonal workers off benefits.

The latest Statistics Canada report found that the economic dependency of Canadians in all provinces has declined over the past half decade, falling by 11.4 per cent nationally to \$16.09 for every \$100 of earned income from \$18.06 in 1997.

In Newfoundland, however, the decline in income dependency was only 4.05 per cent despite the province's new-found oil wealth and the ensuing years of strong economic growth. That was the second smallest dip in dependency after Saskatchewan, whose agricultural-based economy was battered by devastating droughts through two of those years.

Also, in contrast to Newfoundland, the economic dependency of two of the other Atlantic provinces -- Prince Edward Island and Nova Scotia -- fell by more than 12 per cent, while New Brunswick's dependency fell 7.51 per cent.

Calgary residents, meanwhile, continued to have the least dependence on government transfers. In 2002, they received only \$8 in total transfers for each \$100 in employment income.

Despite the decline in the dependency on government transfers, they still make up the second largest share of total income of individuals, accounting for about 12 per cent.

The recent increases in the generosity of the EI and the National Child Tax Benefit programs have meant that the proportion of money received by individuals from these two programs has grown and now accounts for about one quarter of government transfers, Statistics Canada noted. A further 57 per cent of transfers came through old age security and the Canada and Quebec Pension Plan, a proportion, which the report noted is also expected to increase as the population ages.

The proportion of transfers and income coming from welfare, workers' compensation, sales tax credits, provincial credits and family benefits has declined considerably in recent years, and accounts for only 20 per cent of total transfers.

Canadian Press

- ***Red Deer Advocate,***
- ***The Guardian (Charlottetown)***
- ***The Lethbridge Herald***
- ***The Record (Waterloo Region)***
- ***The Moncton Times and Transcript***

Business, Thursday, June 3, 2004

Business muses over Conservative tax plans

Ottawa - Analysts say Stephen Harper is likely on to something with his pledge to cut billions of dollars in fat from business development programs - money the Conservative leader would then use to fund corporate tax cuts.

But a skeptical business community wants more details before endorsing the plan Harper announced Wednesday in the heart of the Toronto business district.

If elected prime minister on June 28, Harper would instruct the auditor general to review such controversial business support programs as the Atlantic Canada Opportunities Agency and Technology Partnerships Canada.

Of the \$18 billion spent on such corporate programs a significant portion...does not deliver value for money, Harper told the Toronto Board of Trade.

That should yield \$4 billion over the course of our mandate - likely four years - for tax cuts to business, he said.

But first, companies will have to wean themselves off those subsidy programs, he warned.

We will only reduce corporate taxes to the extent that we can reduce corporate welfare. I call it the free enterprise versus the Canada Inc. approach.

It's about time Ottawa's business grants and subsidies were closely scrutinized, said Michael Smart, an economics professor who focuses on public spending.

ACOA is a glaring example of politics gone wrong, said Smart, who teaches at the University of Toronto.

By crunching 14 years' worth of grants and loans, researchers have found that too often money flowed on the basis of politics rather than objective criteria.

Both Conservative and Liberal governments spent the money to reward their supporters... government ridings were getting more than opposition ridings, with those of cabinet ministers getting the lion's share of ACOA grants, said Smart.

The agency has generated much controversy, in part because it's one of Ottawa's priciest regional development programs, researchers say.

But while it's one of the most egregious examples of a politicized program, ACOA is likely not unique, said Brian Crowley, president of the Atlantic Institute for Market Studies, a Halifax-based think tank.

There's no reason to think that ... is in any way limited to that agency and therefore it makes sense to subject every similar kind of government subsidy to business to a very searching examination.

Harper, who wants to modify but not scrap ACOA, also took aim at Technology Partnerships Canada, which helps fund high-level research.

The controversial program, financed through Industry Canada, previously loaned almost \$5 million to a company partly controlled by Canada Steamship Lines, formerly owned by Prime Minister Paul Martin.

The federal ethics counsellor said he had no concerns about the loan.

But the story heightened criticism of TPC and its loans to high-tech firms and huge aerospace giants like Montreal's Bombardier which must compete against subsidized foreign firms.

For that reason, Harper should be careful about lumping regional development programs in with export assistance plans, which have very different goals, cautioned Nancy Hughes Anthony, chief executive of the Canadian Chamber of Commerce.

There's more politics here than policy, she said following Harper's speech.

The Fredericton Daily Gleaner

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ACOA spending increased

CAMPBELL MORRISON

OTTAWA - The Atlantic Canada Opportunities Agency was pumping out announcements and money during the run-up to the election at twice the pace of a year ago.

In the first three weeks of May, ACOA issued 61 media releases announcing \$26 million in federal spending. During the same period a year ago, ACOA issued 32 media releases for \$12 million.

New Brunswick Southwest Conservative MP Greg Thompson, running for re-election in the renamed riding St. Croix-Belleisle, condemned the governing Liberals for abusing their power. "It is playing recklessly with taxpayers' money. It is not their money, it's not Liberal money," Thompson said.

"We would question how wise some of that spending has been in recent weeks."

There is a \$500,000 contribution toward an indoor soccer field in Kentville, N.S., and almost \$1 million for a wastewater treatment plant in Woodstock.

There is also a \$293,000 contribution to improve Oromocto's riverfront and marina and a \$372,000 contribution to a Grande-Digue tourist project.

Brian Lee Crowley, president of the Halifax-based Atlantic Institute on Market Studies (AIMS), said the three-week snapshot illustrates a trend that has occurred repeatedly.

Last December, AIMS issued a report that illustrated the government's tendency to increase ACOA spending in the months prior to an election, Crowley said, and this year is no different.

"The federal government has clearly been in election-mode for months. I suspect if you did it over a longer period of time, you'd find an even stronger trend," he said.

He accused the Liberals of putting their electoral interests ahead of those of the region.

"If the purpose of this money is to create genuine and sustainable economic development, then there is no reason to think that economic opportunities coincide with political opportunities.

"What this clearly suggests to us is that the spending is highly politicized. In other words, the money is spent for political opportunities."

Thompson said it goes beyond just ACOA and includes all government departments. But he predicted the Liberals won't be able to buy victories this time.

"They stepped over that line of trust and believability and I don't think they are going to be able to buy their way out of the predicament they find themselves in," said Thompson.

"When in doubt, spend money is the Liberal philosophy, especially in election periods."

Ralph Meechan, a spokesman for ACOA, said any allegation of a link between ACOA spending and an election is "erroneous."

Spending normally increases during the weeks before an election because the agency's spending is frozen for the duration of the campaign, he said.

No new commitments may be made until the minister is re-confirmed in his or her position or a new one appointed, Meechan said.

Furthermore, he added, the phenomenon may be more exaggerated this year because of the timing of the election.

ACOA got a new minister, Joe McGuire, in December, an event that normally stops announcements because the new minister wishes to review the decisions. So in the early months of the year, announcements were delayed, he said.

In addition, the pressure from the provincial government and other partners to push projects out the door before the start of the construction season added to the increase in announcements.

"Nothing is new here as far as actual expenditures are involved. All projects are approved in the exact same way along the exact same lines," Meechan said.