

Atlantic
Institute for
AIMS



Market Studies



Annual Report/Rapport Annuel 2001–2002

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Karen Fraser, Finance
Rolando Inzunza, Coordinator of Development
Lynne Pascoe, Events and Publications
Brett Skinner, Summer Research Intern
Bonnie Williams, Administrative Assistant

Chairman's Message/Rapport du président du Conseil

This has been my first year as Chairman of AIMS, Atlantic Canada's public policy think tank. Elsewhere in this Annual Report you will find the details of the many fine publications, events and other activities of the Institute, activities with which I am extremely proud to be associated.

My pleasant role in this context, however, is not to tell you what AIMS has done, but rather to make sure that those who have contributed so much to the Institute's work get proper recognition.

In particular I wish to say how much the Institute, and I personally, value the contributions of six groups: our donors, our directors, our Research Advisory Board members, our Advisory Council members, our volunteers and our staff.

As our financial statements make clear, our donors continue to be strong supporters of the Institute's work. We work tirelessly to broaden the donor base, both to allow us to do more, and to guarantee the independence and integrity of our work. We always welcome new donors, but need each year to take a moment to thank those who have already made clear so tangibly how much they support our work.

Another type of support comes from our directors, in addition to the financial support they give. Our directors are all busy, high profile members of the community, both regional and national. Lending their names, their experience and their wisdom to the Institute has made an inestimable contribution to the Institute's success. I would particularly like to thank the Institute's two vice-chairmen, David Mann and John Crosbie.

The Research Advisory Board, under the leadership of Prof. Robin Neill, has been more active than ever before in ensuring the quality and strength of our publications.

The Advisory Council, which includes many prominent national figures, continues to offer good advice and access to an impressive network of contacts.

Je termine ma première année à titre de président du Conseil de AIMS, le groupe de réflexion en politique gouvernementale du Canada atlantique. Vous trouverez, ailleurs dans le présent rapport annuel, tous les détails concernant les nombreuses publications, rencontres et activités de grande qualité de l'Institut, activités auxquelles je suis très fier de m'associer.

Dans le présent contexte, le rôle agréable que j'ai à jouer n'est pas de vous dire ce que AIMS a accompli, mais bien de m'assurer que ceux qui ont tant contribué au travail de l'Institut sont reconnus à leur juste valeur.

Je tiens à souligner tout particulièrement combien l'Institut, et moi-même d'ailleurs, attachons de l'importance aux contributions apportées par les six groupes suivants : nos donateurs, nos directeurs, nos membres du Conseil consultatif sur la recherche, nos membres du Conseil consultatif, nos bénévoles et notre personnel.

Comme l'indique clairement notre rapport financier, nos donateurs continuent d'apporter un solide soutien au travail de l'Institut. Nous travaillons inlassablement pour élargir ce groupe crucial, à la fois pour nous permettre d'en faire plus et pour garantir l'indépendance et l'intégrité de notre travail. Nous sommes toujours heureux d'accueillir de nouveaux donateurs mais, il nous faut chaque année prendre un moment pour remercier ceux qui ont déjà dit clairement et de manière tangible combien ils appuient notre travail.

Outre le soutien financier qu'ils apportent, nos directeurs nous apportent aussi un autre type d'appui. Ils sont tous des gens très actifs et bien connus dans la communauté, tant sur le plan régional que national. Le fait de mettre leur nom, leur expérience et leur sagesse à la disposition de l'Institut a contribué de manière inestimable au succès de notre organisme. Je tiens particulièrement à remercier les deux vice-présidents de l'Institut, David Mann et John Crosbie.

Volunteers support many aspects of the Institute's activities; indeed the Institute would scarcely be able to function without them. Two in particular merit specific mention because of their constant work on our behalf: our Corporate Secretary, Fae Shaw, and our Treasurer, Martin MacKinnon.

Finally, there is the staff. It is quite remarkable how much the Institute produces with so few resources, and no one is owed more credit in this regard than the staff: Director of Operations Charles Cirtwill, Administrative Assistant Bonnie Williams, Co-ordinator of Development Rolando Inzunza, Karen Fraser at Finance, our Webmaster, Saar Fabrikant, Lynne Pascoe at Events and Publications and the Summer Intern Brett Skinner. Our President, Brian Lee Crowley, has continued to demonstrate admirable leadership as he takes the Institute to new levels of achievement.

Congratulations are due to all of these people, and many others, for the fine work done by the Institute in yet another successful year.

Gerald L. Pond
Chairman, AIMS



Le Comité consultatif sur la recherche, sous la direction du professeur Robin Neill, a travaillé plus fort que jamais pour assurer la qualité et le sérieux de nos publications.

Le Conseil consultatif, qui regroupe un bon nombre de personnalités nationales, continue de prodiguer de bons conseils et de donner accès à un impressionnant réseau de contacts.

Les bénévoles soutiennent de nombreux aspects des activités de l'Institut; de fait, nous pourrions à peine fonctionner si ce n'était de leur contribution. Deux personnes en particulier méritent une mention spéciale puisqu'elles travaillent sans cesse en notre nom : notre secrétaire Fae Shaw et notre trésorier Martin MacKinnon.

Enfin, il y a le personnel. Il est remarquable de voir combien l'Institut produit avec si peu de ressources, et personne d'autre que nos employés ne mérite autant d'être remercié à cet égard : Charles Cirtwill, directeur de l'exploitation; Bonnie Williams, adjointe administrative; Rolando Inzunza, coordonnateur du développement; Karen Fraser, responsable des finances; Saar Fabrikant, webmestre; Lynne Pascoe, responsable des conférences et des publications; Brett Skinner, stagiaire durant l'été. Notre président, Brian Lee Crowley, a continué de faire preuve d'un leadership admirable tout en menant l'Institut vers des réalisations encore plus grandes.

J'adresse mes plus sincères félicitations à toutes ces personnes et à bien d'autres. L'Institut a accompli un travail de grande qualité dans le cadre d'une autre année bien réussie.

Gerald L. Pond
Président du Conseil d'administration

President's Message/Rapport du président

Five themes dominated the work of the Institute this year: equalization, health care, oil and gas policy, economic prosperity and growth within the Institute itself.

I only have the space to touch lightly on a few of the Institute's successes in these various fields:

Equalization:

In concert with the Montreal Economic Institute and the Frontier Centre for Public Policy, AIMS organized a major event on equalization in Montreal in October 2001. Headlining that event was Professor James Buchanan, Nobel Laureate in Economics, who gave a wonderful talk (reproduced as an AIMS paper) on his second thoughts about equalization programmes, which he originally championed as a young economist.

Later in the year we published the second major paper by prominent policy analyst Ken Boessenkool, looking at how equalization actually rewards recipient provinces for keeping their taxes too high. Like so much of our previous work on equalization, this well-researched but counter-intuitive conclusion generated a great deal of interest from governments, the media and other policy thinkers.

In fact we were gratified to find that the ideas we have been working so hard to make available to the public and policymakers are starting to find echoes in surprising and interesting places. Then Finance Minister Paul Martin, for example, spoke in favour of swapping many regional development programmes for targeted federal tax reductions in a speech in Halifax. Former New Brunswick Premier Frank McKenna has been speaking on the same theme elsewhere. Nova Scotia MP Scott Brison made a similar argument in an op-ed piece in the *National Post*, explicitly linking the development of his own thinking on this to AIMS' work.

Given these many successes of our Equalization Initiative, we were delighted to learn last spring that we had won our third Sir Antony Fisher Memorial Award for this project. Nearly 100 think tanks in over 40 countries are eligible for this annual award, which recognizes excellence

Cinq thèmes ont dominé le travail de l'Institut cette année : la péréquation, les soins de santé, les politiques en matière de pétrole et de gaz, la prospérité économique et la croissance au sein même de l'Institut.

Je n'ai d'espace que pour parler brièvement de quelques-unes des réussites de l'Institut dans ces divers domaines.

Péréquation

De concert avec l'Institut économique de Montréal et le *Frontier Centre for Public Policy*, AIMS a organisé une rencontre importante sur le thème de la péréquation à Montréal en octobre 2001. La tête d'affiche de la rencontre était le professeur James Buchanan, prix Nobel d'économie; il a donné une excellente conférence (reproduite sous forme de publication de l'AIMS) sur ses nouvelles opinions concernant les programmes de péréquation, programmes qu'il a défendus lorsqu'il était jeune économiste.

Plus tard durant l'année, nous avons publié le deuxième document d'importance préparé par Ken Boessenkool, analyste en politiques publiques bien connu. L'ouvrage examine comment la péréquation récompense les provinces bénéficiaires pour le fait de conserver un taux d'imposition trop élevé. Tout comme une grande partie de notre travail déjà accompli sur la péréquation, cette conclusion bien étayée mais contraire à l'intuition a suscité beaucoup d'intérêt de la part des gouvernements, des médias et d'autres analystes en politiques publiques.

En réalité, nous sommes heureux de constater que les idées que nous avons tant travaillé à faire valoir auprès du public et des décideurs commencent à se retrouver à des endroits intéressants et surprenants. L'ancien ministre des Finances Paul Martin, par exemple, lors d'un discours prononcé à Halifax, a parlé favorablement de l'idée d'échanger de nombreux programmes de développement régional contre des réductions ciblées au chapitre de l'impôt fédéral. L'ancien premier ministre du Nouveau Brunswick dans un article voisin de la page éditoriale dans le *National Post*, établissant de manière explicite -Brunswick Frank McKenna a aussi abordé le même thème ailleurs. Le député néo-écossais Scott Brison a soutenu un argument semblable un lien entre le développement de sa propre pensée à ce sujet et le travail de l'Institut.

in think tank publications and other projects. Only a handful of institutes in the world have won it three or more times, and AIMS is proud to have joined their ranks in our 8 short years of existence.

Health Care

Another big project has been our work on health care reform. Building on the great successes of earlier AIMS papers such as *Operating in the Dark* (another Fisher Award winner), we published *Public Health, State Secret*, a powerful critique of the conflict of interest created when governments are both the ultimate supplier of most health care as well as the agency charged with ensuring the quality of that care. Because no one is objective enough to assess their own work, *Public Health, State Secret* argued that we needed to unbundle the many functions of the health care system, such as insurance, service provision, administration, and evaluation. These themes then found their way into many other important works on health care. For example, they were largely reproduced in the Mazankowski Report, of which I had the honour to be a member. They also figured prominently in the fifth volume of the Kirby Senate Committee report on health care, where half the footnotes were drawn either from the Mazankowski Report or directly from AIMS publications such as *Public Health, State Secret*. When Dr. David Zitner, AIMS Fellow in Health Care and I appeared before the Romanow Commission, Mr. Romanow greeted us by saying that AIMS' work on health care was having a major influence on the country's ongoing debate over the future of medicare.

Oil and Gas Policy

Given the importance of the opportunity the Atlantic offshore play represents, this past year AIMS added two new arrows to its growing quiver of oil and gas related policy work. In February we released AIMS Fellow in Natural Resources Tom Tucker's paper on how Atlantic Canadians should think about the potential benefits of the offshore industry. The paper highlighted, in particular, the illusory nature of the widespread belief that the biggest benefit to the region comes from maximum consumption of natural gas here. In fact the paper demonstrated that the greatest benefits flow from maximizing exploration and discovery work, something that requires the creation of a

Compte tenu des nombreux points marqués avec nos travaux sur la péréquation, nous avons appris avec plaisir le printemps dernier que nous avions remporté pour la troisième fois le *Sir Antony Fisher Memorial Award* pour ce projet. Près de 100 groupes d'analystes dans une quarantaine de pays sont admissibles à ce prix annuel qui souligne l'excellence des publications et d'autres projets émanant de ces groupes. Seuls quelques instituts dans le monde l'ont remporté trois fois ou plus, et AIMS est fier de joindre leurs rangs après seulement huit courtes années d'existence.

Soins de santé

Un autre de nos projets d'importance a été le travail sur la réforme des soins de santé. À partir de l'énorme succès remporté par d'autres documents préparés par AIMS, tels que *Operating in the Dark* (un autre gagnant du prix Fisher), nous avons publié *Public Health, State Secret*, puissante critique du conflit d'intérêts qui se crée quand les gouvernements sont à la fois les fournisseurs de la plupart des soins de santé et l'organisme chargé d'assurer la qualité de ces mêmes soins de santé. Puisque personne n'est suffisamment objectif pour évaluer son propre travail, *Public Health, State Secret* soutient qu'il nous faut séparer les nombreuses fonctions du système de soins de santé, telles que l'assurance, la prestation des services, l'administration et l'évaluation.

Ces thèmes se sont ensuite retrouvés dans de nombreux autres ouvrages importants sur les soins de santé. Par exemple, ils ont été largement repris dans le rapport Mazankowski, auquel j'ai eu l'honneur de participer. Ils ont également figuré en première place dans le cinquième volume du rapport Kirby (Comité du Sénat sur les soins de santé), où la moitié des notes en bas de page provenaient soit du rapport Mazankowski, soit directement des publications de AIMS, dont *Public Health, State Secret*. Lorsque le Dr David Zitner, associé de AIMS en recherche en soins de santé, et moi-même avons pris la parole devant la Commission Romanow, national actuel au sujet de l'avenir du régime public d'assurance-maladie.

M. Romanow nous a accueillis en disant que le travail de l'Institut dans le domaine des soins de santé avait une influence importante sur le débat

Politiques en matière de gaz et de pétrole

Étant donné l'importance des possibilités que représente le jeu des ressources en mer en Atlantique, AIMS a ajouté cette année deux nouvelles réalisations à son dossier de plus en plus

farsighted policy regime based on efficient development of energy markets regionally and continentally.

That was soon followed by AIMS' intervention at the National Energy Board hearings in Fredericton this past summer. The hearings were called at the request of the Province of New Brunswick to examine the appropriateness of the regulatory regime governing short term natural gas exports. AIMS made an influential intervention, if we can judge by the fact that AIMS was cited by name in several sections of the final report, and the NEB's conclusions closely mirrored the Institute's own recommendations. It is also noteworthy that when the Premier of Nova Scotia wrote an op-ed piece outlining his government's position on these hearings, he explicitly referred to AIMS' work as a key inspiration of his government's policy on energy exports.

Economic Prosperity

Following on the theme of oil and gas as a major contributor to economic prosperity in the region, AIMS invited Jim Dinning, former Treasurer of Alberta to come and be a speaker in our Economic Leadership Speakers Series. This series, co-sponsored by AIMS, Deloitte and Touche, Corporate Research Associates and the Greater Halifax Partnership, is intended to bring to the region some of the finest minds dealing with issues of economic prosperity around the world.

Jim Dinning's talk about how Alberta has learned to deal with oil and gas revenues was followed by a speech by Deputy Prime Minister John Manley, who spoke about his vision for the Canada-US border in the post- September 11th world. The final speaker in 2001-02 was Leader of the Official Opposition in Ottawa, Stephen Harper, who came to talk about his vision of how to achieve greater prosperity for the country as a whole, including Atlantic Canada. Given the great success of this series, the partners have decided to renew it for another year. We have plans to deal with education, immigration, defence and other matters, and to take the series to other communities in the region.

imposant dans le domaine de l'étude des politiques en matière de gaz et de pétrole. En février, nous avons publié le document de Tom Tucker portant sur la manière dont les Canadiens de l'Atlantique devraient aborder les avantages éventuels de l'industrie en mer. Tom Tucker est associé en recherche en ressources naturelles. Le document met l'accent de façon particulière sur la nature illusoire de la croyance fort répandue voulant que les avantages les plus importants pour la région découlent d'une consommation maximale de gaz ici même. En fait, le document a démontré que les meilleurs avantages découlent de la maximisation du travail d'exploration et de découverte, quelque chose qui fait appel à la création d'un régime de politiques prévoyantes reposant sur le développement efficace de marchés énergétiques régionaux et continentaux.

Cette publication était suivie de près par notre intervention lors des audiences de l'Office national de l'énergie (ONE) l'été dernier à Fredericton. Les audiences ont été organisées à la demande de la province du Nouveau-Brunswick afin d'examiner la pertinence du régime réglementaire régissant les exportations à court terme du gaz naturel. L'intervention de AIMS a eu une certaine influence si nous en jugeons par le fait que le nom de l'Institut s'est retrouvé dans plusieurs sections du rapport final et que les conclusions de l'ONE ressemblaient de très près à nos propres recommandations. Il est également important de noter que, lorsque le premier ministre de la Nouvelle-Écosse a écrit un article paru dans la page en regard de l'éditorial où il présentait la position de son gouvernement dans le contexte de ces audiences, il a clairement fait référence au travail de AIMS en disant qu'il avait grandement inspiré la politique de son gouvernement en matière d'exportation de l'énergie.

Prosperité économique

Dans la foulée du thème de l'industrie pétrolière et gazière comme moteur important de la prospérité économique régionale, AIMS a invité Jim Dinning, ancien trésorier de l'Alberta, à prendre la parole dans le cadre de notre programme de conférences sur le leadership économique (*Economic Leadership Speakers Series*). Commandité par AIMS, Deloitte and Touche, Corporate Research Associates et le *Greater Halifax Partnership*, le programme de conférences veut permettre d'accueillir dans la région certains des esprits les plus brillants qui se penchent sur les questions de prospérité économique partout dans le monde.

Internal growth at AIMS

In keeping with its growing influence and productivity, the Institute has been expanding over the course of the year, and this has resulted in major additions to the team that makes AIMS one of the country's leading sources of public policy analysis and commentary.

Directors

We welcomed six new directors to the Board of AIMS this year: Craig Dobbin, Peter Godsoe, Bernard Imbeault, Jim Simpson, Harry Steele and John Walker.

AIMS Fellows

In addition to David Zitner and Michael MacDonald, respectively AIMS Fellow in Health Care Policy and Senior Fellow at the Institute, we have this year welcomed several new Fellows. Tom Tucker is now AIMS Fellow in Natural Resource Policy, and Peter Fenwick is AIMS Fellow with responsibility for Fisheries Issues and Newfoundland.

Research Advisory Board

We were finally able to fill the big gap left in the RAB by the retirement several years ago of Prof. Bill Milne of UNB. Prof. David Murrell, also of UNB, kindly consented to join us in this capacity after having published several pieces with AIMS in recent years. This has also been the first full year in which Robin Neill has so ably discharged the new responsibility of Chairman of the RAB, a role that has enabled us to make much better use of this valuable Institute resource.

Authors

This was a banner year for publishing first time authors with AIMS. Among these new thinkers who made valuable contributions to building the region's and the country's intellectual capital via AIMS, I need to mention Michel Boucher, Paul Boothe, James Buchanan, Rodney Clifton, Bev Dahlby, John D'Orsay, Brian Ferguson, Herb Grubel, Paul Hobson, Jean-Luc Migué, Robin Neill, John Philippe, Brian Rogers and Tom Tucker.

L'allocution de Jim Dinning, sur la manière dont l'Alberta a appris à composer avec les recettes provenant du gaz et du pétrole, a été suivie par une allocution du vice-premier ministre John Manley qui a parlé de sa vision de la frontière canado-américaine dans le monde de l'après 11 septembre. Le dernier orateur en 2001-2002 a été le chef de l'Opposition officielle à Ottawa, Stephen Harper, qui est venu nous dire comment il envisageait parvenir à une meilleure prospérité économique pour le pays dans son ensemble, y compris le Canada atlantique. Compte tenu de l'énorme succès remporté par le programme de conférences, les partenaires ont décidé de le renouveler pour une autre année. Nous prévoyons aborder, entre autres, l'éducation, l'immigration et la défense, et présenter les conférences dans d'autres localités de la région.

Croissance au sein de l'Institut

Pour suivre le rythme croissant de son influence et de sa productivité, l'Institut a connu une expansion au cours de l'année; ainsi, de nouvelles personnes sont venues se joindre à l'équipe remarquable qui fait de AIMS une des principales sources au pays en matière de commentaire et d'analyse en politiques publiques.

Les directeurs

Nous souhaitons la bienvenue à six nouveaux directeurs au Conseil d'administration de AIMS : Craig Dobbin, Peter Godsoe, Bernard Imbeault, Jim Simpson, Harry Steele et John Walker.

Les associés en recherche

Outre David Zitner associé en recherche, politiques des soins de santé, et Michael MacDonald, associé principal de l'Institut, nous avons accueilli cette année plusieurs nouveaux associés. Tom Tucker s'occupe des politiques en matière de ressources naturelles et Peter Fenwick est responsable de Terre-Neuve et des questions liées à la pêche.

Auteurs

C'était une année record au chapitre des premières publications d'auteurs à l'Institut. Parmi ces nouveaux penseurs qui ont apporté, par le truchement de AIMS, une précieuse contribution à l'enrichissement du capital intellectuel de la région

Staff

On the staff side, this year we welcomed to our ranks Rolando Inzunza, Co-ordinator of Development, Karen Fraser, who looks after our finances, Bonnie Williams, our Administrative Assistant, and Brett Skinner, Max Bell Intern.

They join Charles Cirtwill, Director of Operations, Lynne Pascoe, our event organizer, and Saar Fabrikant, our webmaster.

Every one of the people that I have listed, as well as those others too numerous to mention, makes an indispensable contribution to the success of AIMS, and I want to take this opportunity to recognize their hard work and to thank them all.

Brian Lee Crowley
President



et du pays, je dois souligner Michel Boucher, Paul Boothe, James Buchanan, Rodney Clifton, Bev Dahlby, John D'Orsay, Brian Ferguson, Herb Grubel, Paul Hobson, Jean-Luc Migué, Robin Neill, John Philippe, Brian Rogers et Tom Tucker.

Personnel

Du côté du personnel, nous avons accueilli cette année Rolando Inzunza à titre de coordonnateur du développement, Karen Fraser qui s'occupe de nos finances, Bonnie Williams à titre d'adjointe administrative, de même que Brett Skinner, stagiaire Max Bell.

Ils se joignent à Charles Cirtwill, directeur de l'exploitation, Lynne Pascoe, notre organisatrice des activités, et Saar Fabrikant, notre webmestre.

Toutes les personnes que j'ai mentionnées, et tant d'autres qui sont trop nombreuses pour les énumérer, apportent une contribution indispensable au succès de l'Institut; je veux profiter de l'occasion qui m'est donnée ici pour souligner leur travail ardu et pour les remercier toutes.

Brian Lee Crowley
Président

**Equalization Initiative earns AIMS
Sir Antony Fisher Award for third time**

For the third time in six years, Atlantic Canada's public policy think tank has been honoured by the international think tank community. At a ceremony in April 2002 in Philadelphia, AIMS was awarded one of the prestigious Sir Antony Fisher International Memorial Awards for 2002 (Innovative Projects Category), for the Institute's Equalization Initiative.

The Fisher Prize was awarded for two innovative aspects of the project. First, the broad range of means used to carry out the work (a major conference in Montreal, a dozen papers by some of Canada's leading authorities, media work, prestigious international speakers, etc.), plus the collaborative nature of the initiative. In the words of the judges:

The institute [AIMS], along with the Frontier Centre for Public Policy and the Montreal Economic Institute, launched this broad-based initiative to illustrate the costs and consequences of "equalization" – a Canadian federal programme of income transfer from wealthy to poor provinces. In addition to the standard production of opinion-editorials, research papers, and media interviews, the institutes invited American Nobel Laureate James Buchanan to help elevate their efforts to a national level through a co-ordinated programme of lectures and interviews.



AIMS in the Media / AIMS dans les Médias

Below is a representative selection of the media coverage accorded to AIMS over the course of the past year:



May 6, 2002

Dr. David Zitner, Director of Medical Informatics at Dalhousie University Medical School and the Atlantic Institute for Market Studies (AIMS) Fellow in Health Policy, commented, "You wouldn't want a blindfolded surgeon to operate on you in a poorly lit operating theatre. Yet that is what we regularly permit our politicians to do to the health care system. Health care is the largest public spending program in government. Yet we do not possess the information that would allow us to assess the performance of the current system, let alone evaluate the realistic alternatives."

Moncton Times & Transcript

April 10, 2002

Canada and the US enjoy one of the closest, most intimate business and economic relationships in the world. Yes, there are disputes that mar that relationship. Yet they remind us the overwhelming bulk of our trade is free of such disputes.

In recent years, there have been major scares for Canada when the US seemed to be changing its border priorities.

The London Free Press

June 4, 2002

In the U.S., most state health departments make a wide range of information from medical files available in summary form for the guidance of experts and the public. No such information is available to the public anywhere in Canada. In an essay in Gratzner's book, *Public System, State Secret*, David Zitner and Brian Lee Crowley note that no one in any province can provide a satisfactory answer to such basic questions as: "How many people have difficulty finding a family doctor? Who got better, who got worse and whose health status remained unchanged as the result of contact with the health-care system? Which specialities have unacceptably long waiting periods?"



January 30, 2002

Ottawa Citizen writer Bruce Ward recently described the final episode of the *Random Passage* series as "The struggle of Irish immigrants in Newfoundland before the invention of government handouts." Needless to say, this comment elicited a storm of negative responses from Newfoundlanders. In this reply piece, again in the *Ottawa Citizen*, Peter Fenwick, AIMS' regular contributor from Newfoundland and Labrador and former Director of Communications at the Institute, takes the Newfoundland government to task for perpetuating the negative stereotype that Ward was repeating.



June/July 2002

Oil and gas production may have arrived off the East Coast, but Atlantic Canadians are still seized with anxiety about what it means. In particular we fear that our resource will be sold off and we will have far too little to show for it. There are two quite distinct ways of responding to this legitimate concern: competition or protection. According to a recent study done for the Atlantic Institute for Market Studies (AIMS), our royalty regime is fair and competitive. So to be given our share implies that even after selling our resource for fair market value, local businesses should be given a percentage of the contracts, whether their bids are competitive or not.



10 janvier 2002

Les villes canadiennes sont des moteurs économiques, sociaux et culturels du 21^e siècle immobilisés dans un environnement politique de l'ère victorienne. Leurs gouvernements sont faibles et bornés: les provinces sont hostiles et concentrées sur le milieu rural et le gouvernement fédéral ne sait même plus s'il est censé connaître l'existence des villes. Ce n'est certes pas la recette de la prospérité.

The Herald

May 14, 2002

AIMS author and intern John Philippe, in a continuing analysis of the costs and benefits of a post-secondary education states, "Is government abandoning students? Hardly. Are students paying more than their fair share of their education? Not according to the evidence, or the continued strong demand for university places. More government funding is not the best solution."

February 27, 2002

"It makes sense for us, their biggest trading partner and closest ally, to work with [the U.S.]..." This was the theme in an address by AIMS President, Brian Lee Crowley, AIMS Senior Fellow, Michael J. MacDonald, and Perry Newman, former Director of International Trade to the state of Maine and current President of the Atlantica Group of Portland, Maine, to the Commons Foreign Affairs Committee studying North American Integration.

October 2, 2001

In an op-ed piece, AIMS newest Senior Fellow, Dr. Michael J. MacDonald argues, "A professional public service is essential especially with politicians of mixed talents and weaknesses who are ravenous for power. When the distinction begins to blur and politicians step into management, then the community is often the victim of cronyism and patronage, which in the past has produced massive mismanagement, huge deficits and a cynical electorate."



July 23, 2002

AIMS' reaction to a recent study by Evelyn Forget, Raisa Deber and Leslie Roos has led to an interesting exchange of ideas in the pages of the Globe. The study claimed to show that MSAs would not result in any cost savings for government but would instead result in an increase in health spending by governments. Central to their argument was an MSA model built on their own assumption that governments would deposit equal amounts of money in each person's MSA every year.

In a Globe and Mail article posted July 24, 2002 AIMS responded by saying, "The authors create an MSA model then show how it would increase present health expenses by 54%. However, since no MSA would look like their model, their results are worthless."

The Gazette MONTREAL

Oct 27, 2001

Reporting on the AIMS/MEI/FCPP event in Montreal, author Brian Kappler states, "The idea of equalization has been sold and re-sold to Canadians by their politicians as a basic "Canadian value." It is fairness, it is helping the regions which need help, and on and on.

But the economists didn't get all misty-eyed about social justice; Buchanan and the others just called it a bribe. Without this extra money, the idea is, thousands more from Saskatchewan and Newfoundland and the rest would flood into Toronto and Calgary, and that would be a bad thing; better bribe them to stay home.'

NATIONAL POST

October 26, 2001

James Buchanan, 1986 Nobel Prize laureate and pioneer of the "public choice" school of economics, said yesterday the East Coast energy boom has given Canada a golden opportunity to reduce the distortions caused by equalization payments. The government's equalization system may have brought benefits over the past 40 years, he said, but "it's time to wean the Atlantic area off transfer payments and make the receiving provinces and their taxpayers face their full responsibilities and spend less of the richer provinces' money."

Mr. Buchanan was speaking after addressing a seminar "Equalization: Welfare Trap or Helping Hand?" sponsored by the Montreal Economic Institute, the Atlantic Institute for Market Studies, the Frontier Centre for Public Policy and the Conseil des relations internationales de Montréal.

June 25, 2002

Amplifying the theme of AIMS latest report on equalization "Taxing Incentives: How Equalization Distorts Tax Policy in Recipient Provinces", author Kenneth J. Boessenkool discusses the damaging effects of the federal programme on the citizens it is trying to help.

NOTE: The preceding articles, as well as many more, are available in full text on the AIMS website (www.aims.ca) under publications.

AIMS Events / Les événements de AIMS

“My Vision for the Canada-US Relationship”

May 15, 2002



What is Canada's 'US agenda'? It's Canada's own agenda, and the simplicity of our goals - security, prosperity, the highest quality of life for Canadians - should not get lost in the complexities of the relationship itself.

— Honourable John Manley

Breaking the Glass Wall: Economic Development in Atlantic Canada.

September 20, 2002



We have a solid political culture with deeply rooted democratic traditions; we have a remarkably peaceful history; we are a nation of innovation and creativity; ... But we have a fault, it is that we tend to worry more that “things could be worse,” rather than “things should be better”. - Stephen Harper

“Managing oil and gas wealth: Lessons from the Alberta trenches”

March 7, 2002



Think of your natural gas revenues as an opportunity to create a legacy for future generations of Nova Scotians. Be passionate about what these capital revenues can do for your province. Brand them as a source of pride. — Jim Dinning

(From left to right: Jim Dinning, Brian Lee Crowley, and NS MLA John Chataway)

Equalisation: Welfare Trap or Helping Hand?

October 25, 2001



Prof. James Buchanan (center) surrounded by representatives of the three organizations sponsoring the event: (from left to right) Michel Kelly-Gagnon, Executive Director of the Montreal Economic Institute, Peter Holle, President of the Frontier Centre for Public Policy, and Brian Lee Crowley, President of the Atlantic Institute for Market Studies.

AIMS talks to Ottawa / AIMS parle à Ottawa***Wednesday, April 17, 2002: Romanow, Kirby, recognise AIMS as thought leader in national health care debate***

Roy Romanow noted that AIMS' work on health care was having a major influence on the country's ongoing debate over the future of health care. He made the comments while welcoming AIMS President Brian Lee Crowley and the Director of Medical Informatics at Dalhousie University's Medical School and AIMS Fellow in Health Care Policy, Dr. David Zitner, who were invited to testify before the federal inquiry.

Also last month, Senator Michael Kirby's influential Senate Committee studying health care reform issues issued a new report. It drew heavily on AIMS papers and commentary on health care, quoting extensively from both AIMS' award-winning 1999 paper "Operating in the Dark" and its more recent "Public Health, State Secret". In particular, the Kirby Report picked up on the themes of the poor quality information available to manage the health care system, as well as the diagnosis that the system's ills flow chiefly from its nature as an unregulated monopoly without clearly defined goals or a focus on the needs of consumers.

Tuesday, February 26, 2002: AIMS talks about Atlantica with Commons Committee

Three key players in AIMS' Atlantica project met with the House of Commons Standing Committee on Foreign Affairs and International Trade to discuss the concept of Atlantica and its importance to this region and the country as a whole. AIMS President Brian Lee Crowley was joined by Perry Newman, President of Atlantica Group (a US based consulting company), and Michael Macdonald, AIMS Senior Fellow, in addressing the committee. Speaking from both the US and Canadian perspective they set out the historical, economic and security case for an integrated economic region embracing the northeastern US and eastern Canada. Atlantica is the name AIMS gives to the natural economic region that includes Atlantic Canada, the northern tier of New England, northern New York state and southern Quebec.

August 2002: "Canada First" Puts Canada (and New Brunswick) Last.

The efforts to implement a so-called "Canada First" export strategy for natural gas will seriously jeopardise the future of the natural gas industry in Atlantic Canada. This is the message that AIMS President, Brian Lee Crowley, brought to the National Energy Board during hearings in New Brunswick. According to Crowley, if such a policy had been in place ten years ago there would be no gas for us to fight about today – the Sable Offshore project never would have happened.

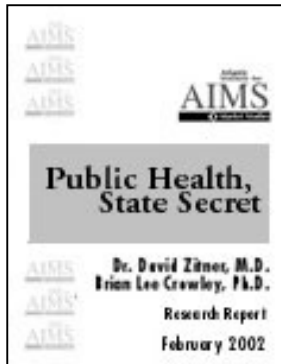
Thursday, February 7, 2002: Say No to Quotas; Robin Neill speaks to Commons committee

Robin Neill, Chair of AIMS Research Advisory Board, appeared before the House of Commons Standing Committee on Human Resources Development and the Status of Persons with Disabilities during the statutory review of the Employment Equity Act. As part of his remarks, Professor Neill highlighted the difficulty with quotas by explaining to the committee that the problem now is a decline in the participation rate of males in the labour force. Employment of women is going up and the proportion of men employed is going down. Professor Neill asked if this then required legislation to improve the position of men, placing yet one more constraint on market forces? His answer is that what was not good for the gander is not good for the goose; we ought not to legislate advanced employment quotas of men in this country. What we ought to do is undo the legislation we now have on the books.

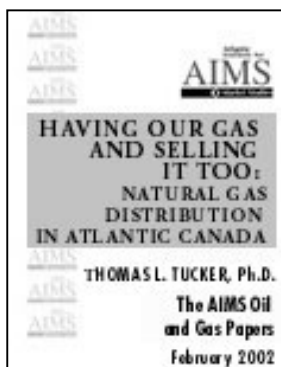
Wednesday, October 24, 2001: AIMS author addresses Senate on equalization

On 24 October 2001, Kenneth J. Boessenkool, author of the AIMS report, "Taking off the Shackles: Equalization and the Development of Non-renewable Resources in Atlantic Canada", delivered a presentation to the Senate National Finance Committee. In it he outlined ten reasons to remove non-renewable resources from equalization. In summary, he argued that such a change would mean little to the federal government's bottom line; it would continue to protect the federal balance sheet from the vagaries of the price of nonrenewable resources, particularly oil and gas; and it means a substantial simplification of the programme - an intergovernmental hat trick not often seen in the arcane world of Canada's intergovernmental relations.

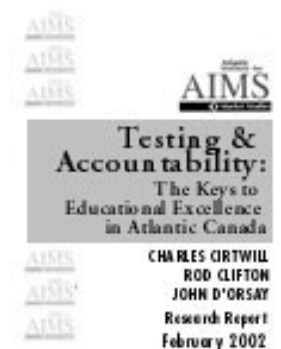
NOTE: The preceding commentaries, as well as many more, are available in full text on the AIMS website (www.aims.ca) under publications.

AIMS Publications / Publications AIMS***January 2002: Public Health, State Secret***

This is AIMS' most recent report on the state of Canada's health care system. The study demonstrates that politicians and senior health officials simply don't know where or why medicare is failing because they still lack the proper tools to evaluate the quality or timeliness of the care Canadians receive. More to the point, the authors demonstrate why, under the current system, it is not in the government's interests to know what is really happening in health care.

February 2002: Having our Gas and Selling it Too: Natural Gas Distribution in Atlantic Canada

This study provides an overview of the gas industry, its history and development as well as a primer on the economic forces driving the industry. "Having Our Gas and Selling It Too" debunks widespread but misguided thinking on how the region can best benefit from natural gas, and it recommends a regulatory framework that will provide gas to the maximum number of consumers at the lowest possible price.

February 2002: Testing & Accountability: Educational Excellence in Atlantic Canada

This report demonstrates that, while the testing regimes vary province by province, there remains an insufficient level of consistent, reliable measurement of educational outcomes in the region. According to the report co-authors, Charles Cirtwill, AIMS Director of Operations, Rod Clifton, a professor in the Faculty of Education at the University of Manitoba, and John D'Orsay, a Nova Scotia-based consultant specialising in human resource policy, developing sound monitoring systems and using standardised examinations can be helpful in ensuring that effective teaching and administration of schools takes place.

March 2002: What's a Degree Worth: Who Pays and Who Benefits at Atlantic Canada's Universities?



The current system does not achieve a fair or efficient distribution of the burden of the cost of higher education between taxpayers and students. Through in-depth analysis and calculation, the author identifies the costs and benefits of a post-secondary education to both the individual who acquires that education, and the society that finances a major part of the cost, arguing in part that students, as the major beneficiaries of their education, should be expected to pay more for it. The author suggests strategies for dealing with migration issues.

April 2002: Fiscal Equalization Revisited



Professor Buchanan returns to his original contribution to our knowledge of federalism and adds the perspective for which he is most famous: public choice. He warns us that from the public choice perspective – where governments have separate interests that may be distinct from voters' -- the desirability of equalizing transfers is uncertain because recipient governments may use grants in ways that further their political goals rather than improving the efficiency of the national economy.

April 2002: Fiscal Equalization revisited was one of eight conference papers. The other seven papers in the series are:

Federal Grants Under the Discipline of Global Forces by Michel Boucher and Jean-Luc Migué

What's Wrong With Equalization: Social Insurance and Moral Hazard by Herb Grubel

The Incentive Effects of Fiscal Equalization Grants by Bev Dahlby

Ten Reasons to Remove Nonrenewable Resources from Equalization by Ken Boessenkool

Equalization and the Treatment of Non-renewable Resources by Paul Hobson

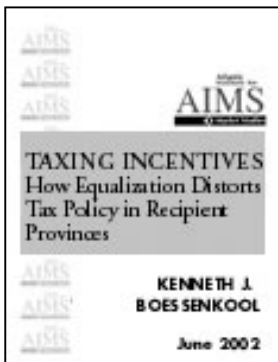
Equalization: Neither Welfare Trap or Helping Hand by Annette Ryan

Modest But Meaningful Change: Reforming Equalization by Paul Boothe

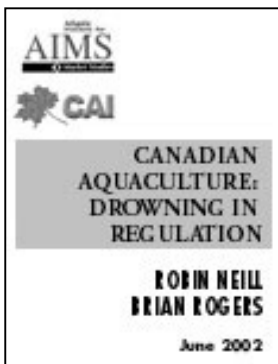
April 2002: Better Medicine - Reforming Canada's Health Care

Better Medicine: Reforming Canada's Health Care is a brilliant collaboration of essays by some of Canada's leading authorities in health care policy. Introduced and edited by Dr. *David Gratzer*, author of the award winning book "*Code Blue*", and co-sponsored by AIMS, Atlantic Canada's public policy think tank, Better Medicine features academics, journalists, policy analysts, and physicians as they examine and analyse the past, present, and future outlook of Canada's flawed health care system.

In addition to AIMS' role in sponsoring this prestigious new collection of work by some of Canada's leading experts in the field of health care policy, Part 2 of Better Medicine, entitled "Survey in the Situation", includes an edited version of AIMS' influential paper "*Public Health, State Secret*".

June 2002: Taxing Incentives: How Equalization Distorts Tax Policy in Recipient Provinces

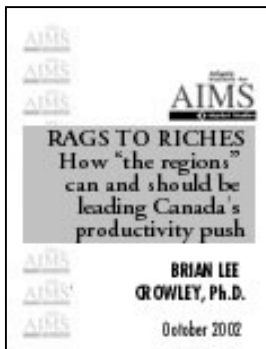
The \$10.5 billion equalization programme is one of the federal government's largest. According to the Canadian constitution, it exists to "ensure that provincial governments have sufficient revenues to provide reasonably comparative levels of public services at reasonably comparable levels of taxation." In practice, however, equalization is so complex and highly technical in nature that there is often little debate about its true effects on those provinces that receive this so-called "helping hand". But if placed under a magnifying glass, it's not hard to see that the equalization programme is actually infested with perverse incentives that are frustrating the economic growth of Canada's poorer provinces.

June 2002: Canadian Aquaculture: Drowning in Regulation

The Canadian aquaculture regulatory environment is subject to a complex of institutions, guidelines, and injunctions. The resulting hurdles to aquaculture businesses span transnational organizations, conventions, and accords; federal and provincial government agencies and legislation; and a number of miscellaneous organizations and associations. In short, there has been no serious attempt to date to establish the true balance between the social costs and benefits associated with this industry; yet in the absence of such a cost-benefit analysis, there is no sound basis for the current thicket of regulation surrounding the industry.

June 2002 : Ideas Matter

“Ideas Matter” is a special publication, released by AIMS in collaboration with the Frontier Centre for Public Policy and the Montreal Economic Institute, providing a summary of our Sir Antony Fisher Award winning *Equalization Initiative*. It features the work of some of today’s top experts on equalization including renowned father of equalization and Nobel Laureate James M. Buchanan. The innovative ideas created through the works of the three Institutes, outlining the negative effects of equalization, have sparked a national debate and garnered supportive reactions from top opinion leaders including former New Brunswick Premier Frank McKenna, and former federal Finance Minister Paul Martin.

October 2002: Rags to Riches: How “the regions” can lead Canada’s Productivity Growth

Arguing that closing the productivity gap between the less-developed provinces and the rest of Canada would result in a significant improvement in the nation’s standard of living, Dr. Crowley goes on to show how current federal and provincial policies have kept this natural convergence from occurring. “If we had done nothing”, says Crowley, “market forces would have naturally pressed the less-developed provinces to improve their productivity over time and close the gap with the other provinces. Instead, federal and provincial policies have hindered this natural convergence and been a primary cause of the continued relative decline in our national standard of living.”

NOTE: The preceding papers, as well as many more, are available in full text on the AIMS website (www.aims.ca) under publications.

Auditor's Report/Rapport des vérificateurs

To the Directors of the Atlantic Institute for Market Studies,

We have audited the balance sheet of the Atlantic Institute for Market Studies as at September 30, 2002 and the statement of revenue, expenditures and general fund equity for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Institute derives revenue from donations and other income, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Institute and we were not able to determine whether any adjustments might be necessary to donations revenue, other income, excess of revenue over expenditures, assets and the general fund equity.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations and other income referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Institute as at September 30, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
November 1, 2002



Grant Thornton LLP
Chartered Accountants



Where Tomorrow's Public Policy
Begins Today

Aux administrateurs de l'Institut atlantique des études de marché,

Nous avons vérifié le bilan de l'Institut atlantique des études de marché au 30 septembre 2002 et l'état des revenus, dépenses et surplus du fonds de fonctionnement de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de l'Institut. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

A l'exception de ce qui est mentionné dans le paragraphe ci-dessous, notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des éléments probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

Comme c'est le cas dans de nombreux organismes de bienfaisance, l'Institut tire des revenus de dons pour lesquels il n'est pas possible de vérifier de façon satisfaisante s'ils ont tous été comptabilisés. Par conséquent, notre vérification de ces revenus s'est limitée aux montants comptabilisés dans les livres de l'Institut et nous n'avons pas pu déterminer si certains redressements auraient dû être apportés aux montants de dons reçus, d'autres revenus, de l'excédent des revenus sur les dépenses, de l'actif et du surplus du fonds de fonctionnement.

À notre avis, à l'exception de l'effet des éventuels redressements que nous aurions pu juger nécessaires si nous avions été en mesure de vérifier si les dons et les autres revenus mentionnés au paragraphe précédent ont tous été comptabilisés, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de l'Institut au 30 septembre 2002 ainsi que les résultats de ses activités pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada.

Halifax, Nouvelle-Écosse
le 1 novembre 2002 Comptables agréés

NOTE : The following is a summary of AIMS audited financial statements for the year ended September 30, 2002:

Financial Position 2002/Rapport financier 2002

Statement of Revenue, Expenditures and General Fund Equity/ État des revenus, dépenses et surplus du fonds de fonctionnement

Year ended September 30, 2002/Pour l'exercice terminé le 30 septembre, 2002

Revenue/Revenus

Donations/Dons	\$ 658,246	
Events/Events	9,796	
Interest/Intérêts	5,884	
Other/Autres	<u>563</u>	\$ 674,489

Expenses/Dépenses

Salaries and Benefits/ Salaires et benefices	\$ 327,150	
Contract Fees/Frais de contrats	173,389	
Other/Autres	<u>190,620</u>	(691,159)

Excess of Expenditures over Revenue / Excédent les dépenses seu des revenus

\$ (16,670)

General Fund Equity, beginning of year /

Surplus du fonds de fonctionnement, début de l'exercice **\$ 194,653**

Excess of Expenditures over Revenue /

Excédent les dépenses sur des revenus **(16,670)**

General Fund Equity, End of year/

Surplus du fonds de fonctionnement, fin de l'exercice \$ 177,983

Balance Sheet /Bilan

September 30, 2002 / le 30 septembre, 2001

Assets/Actif **\$ 592,799**

Liabilities/Passif **(414,816)**

Fund Balance/Solde de fonds **\$ 177,983**

Special resolution

During the year the Board of Directors approved a special expenditure in the amount of \$25,000 for one time costs associated with the Institute's move into new premises and that the amount be drawn from general funds. This \$25,000 approved expenditure is reflected in the excess of expenditures over revenue of \$16,670, for the year ended September 30, 2002. In the absence of incurring this expenditure the Institute would have reported approximately an \$8,000 surplus for the year.

Résolution spéciale

Au cours de l'année, le Conseil d'administration a approuvé une dépense spéciale de 25 000 \$ pour le déménagement de l'Institut dans de nouveaux locaux. La somme provient des fonds de fonctionnement. L'excédent des dépenses sur les recettes tient compte de cette dépense autorisée de 25 000 \$; l'excédent s'élève donc à 16 670 \$ pour l'exercice terminé le 30 septembre 2002. N'eût été cette dépense, l'Intitut aurait déclaré un excédent de 8 000 \$ pour l'année.

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1995 - 2002

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Auracom Internet Services	Maritime Steel and Foundries Limited
Bank of Montreal	Max Bell Foundation
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Donner Canadian Foundation	Patterson Palmer Hunt Murphy /
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AIMS would also like to acknowledge the ongoing support of several anonymous donors.

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